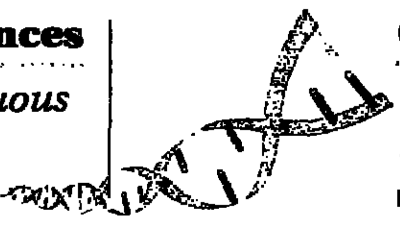
FINANCIAL TIMES



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Kinkel fails to bridge German rift with Turkey

German foreign minister Klaus Kinkel, left, warned Ankara not to expect rapid European Union membership, citing Turkey's human rights record and economic problems. Mr Kinkel was visiting Ankara to try to improve relations after some European leaders had said Turkey was "not acceptable" as a member of the EU. But the German minister failed yesterday to make any progress towards repairing worsening relations. Page 18

Clashes spread: Israeli-Palestinian clashes spread to the West Bank town of Ramallah, where Arabs charged an Israeli roadblock. The army used teargas and rubber bullets against protesters demonstrating over Israeli settlement policy in Arab East Jerusalem. **US envoy faces daunting task, Page 4**

Vatican condemns execution: Cuban refugee Pedro Medina, whose face mask caught *fire while he was dying in the electric chair* in Florida, suffered a "barbaric" end, the Vatican newspaper L'Osservatore Romano said. Medina was executed on Tuesday for murdering a woman in 1982.

Schneider seeks NY listing: Didier Pineau-Valencienne, chairman of French engineering concern Schneider, said the group wanted a New York listing as early as next year. Schneider is inviting new board members from *Germany, Italy, Switzerland and Britain* as part of its aim of opening up the company. **Schneider offers deal, Page 2**

Graf tax probe dropped: The German investigation into possible tax evasion by tennis player Steffi Graf has been officially called off. The probe was dropped after Miss Graf paid an undisclosed sum to charity. Page 2

Albania move: An advance team of experts *including military officials from EU countries* began operations in Albania to prepare for an expected security force to protect emergency aid to the country. Page 3

Deal on car exports: Japan and the European Union agreed to raise the 1997 quota for Japanese car exports to the EU by 13,000 vehicles to 1.092m. Japan's 1996 auto exports to the EU were 805,000, lower than the year's 1.079m vehicle quota, Japanese trade officials said.

Malaysia-Singapore rift deepens: Malaysia has suspended the award of new contracts to Singaporean companies as relations between the two south-east Asian neighbours hit their lowest point for more than 30 years. The Malaysian announcement yesterday followed derogatory remarks by Singapore's senior minister, Lee Kuan Yew. **Page 18; Editorial Comment, Page 17**

US durable goods orders hit a record in February, the Commerce Department said, highlighting the manufacturing sector's role in a steadily growing economy. New orders for goods from computers to railroad equipment climbed 1.5 per cent to a seasonally adjusted $178.3bn. Page 6

Deutsche Bank, Germany's biggest bank, revealed that the failure of its UK fund management arm last year to stop Peter Young making hidden investments with customers' money could cost it up to DM1.2bn ($710m). Page 19

Citic Pacific, Hong Kong arm of China's flagship investment vehicle, more than doubled profits last year to HK$6.86bn (US$886m) as exceptional gains of HK$3.29bn boosted a near-20 per cent underlying rise. Page 24; Lex, Page 18

Papua PM quits: Papua New Guinea prime minister Sir Julius Chan is to step down following the Bougainville mercenaries affair. His decision, after a week of unrest, was greeted with cheers by a crowd outside parliament house. Page 8

The Financial Times will not be published tomorrow, Good Friday. The next issue will be on Saturday, March 29.

FT.com: *the FT web site provides online news,* comment and analysis at http://www.FT.com

STOCK MARKET INDICES

New York: lunchtime		
Dow Jones Ind Av	6,907.52	(+31.35)
NASDAQ Composite	1,267.33	(+19.27)
Europe and Far East		
CAC40	2,648.73	(+24.48)
DAX	3,418.12	(+68.98)
FTSE 100	4,301.5	(+30.8)
Nikkei	18,472.45	(+32.84)

US LUNCHTIME RATES

Federal Funds	5 11/16%
3-mth Treas Bills: Yld	5.342%
Long Bond	95 17/32
Yield	6.977%

OTHER RATES

UK: 3-mo Interbank	6 3/16	(same)
UK: 10 yr Gilt	97 7/16	(97 13/32)
France: 10 yr OAT	97.92	(97.95)
Germany: 10 yr Bund	100.74	(101.01)
Japan: 10 yr JGB	105.1714	(104.7567)

NORTH SEA OIL (Argus)

Brent Dated	$18.61	(18.74)

GOLD

New York: Comex		
(Mar)	$351.0	(347.7)
London:		
close	$349.3	(349.1)

DOLLAR

New York: lunchtime		
£	1.6285	
DM	1.69175	
FFr	5.709	
SFr	1.4665	
Y	124.225	
London:		
£	1.6268	(1.619)
DM	1.6922	(1.6907)
FFr	5.7061	(5.7005)
SFr	1.4676	(1.4658)
Y	124.1	(123.895)
Tokyo close:	Y 124.65	

STERLING

DM	2.7528	(2.7372)

9 770174 736142 13

Doubt over '$3.6bn' gold find

Busang deposit may be 'insignificant'

By Kenneth Gooding, Mining Correspondent, in London and Scott Morrison in Vancouver

An Asian gold deposit billed as the world's biggest may turn out to have only an "insignificant" amount of ore.

Promoters admitted the results of their exploration in the Busang venture in Indonesia might have been overstated. It had been valued at up to C$5bn ($3.6bn). A new partner in the project said its own tests so far revealed "insignificant amounts of gold".

The admission by Bre-X Minerals, the Canadian exploration company, that there was "a strong possibility" that its exploration results had been overstated came only a week after the company's chief geologist plunged from a helicopter to his death in what has been labelled a suicide.

Bre-X's admission came after Freeport McMoRan Copper & Gold, the US company which had agreed to take a stake and finance a mine at the Busang deposit in East Kalimantan, said its own drilling had shown "insignificant amounts of gold."

Shares in Bre-X were suspended by the Toronto Stock Exchange before these announcements but at least one third was wiped off the value of other small exploration companies with projects in Indonesia. "This won't help sentiment in the gold mining sector," said Mr Nick Hatch, analyst at Flemings Global Mining Group in New York.

Rumours all might not be well at Bre-X have been circulating since last week when doubts were raised about Busang in a Jakarta newspaper and after the death of Mr Michael de Guzman, Bre-X's chief geologist. But until late on Tuesday Bre-X continued to defend its previous suggestion that there was at least 70m ounces of gold in the Busang deposit, and possibly up to 200m ounces.

However, last night Bre-X said an independent Canadian consultancy, Strathcona Mineral Services, retained by Bre-X to audit its results so far, had indicated "that there appears to be a strong possibility that the potential gold resources on the Busang project have been overstated because of invalid samples."

Mr Jim Taylor, analyst at Yorkton Securities in London, said: "The consultants are not simply questioning the interpretation of the geology but the values [of gold in the rock] quoted." There was a scramble by companies to win a share of Busang. Members of President Suharto's family were also involved in the wheeling and dealing.

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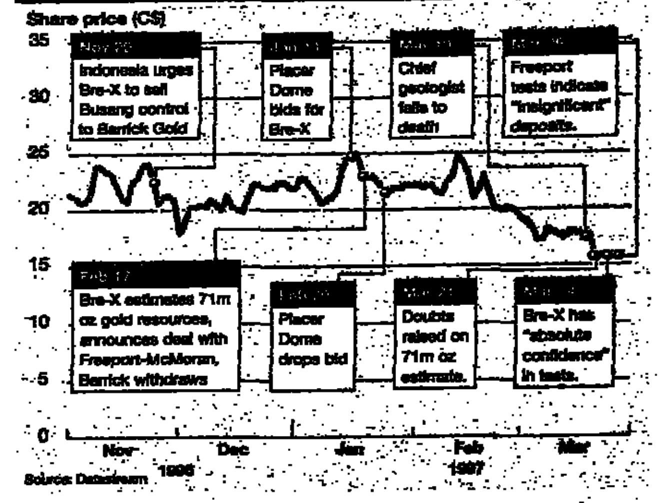
Bre-X Minerals



Source: Datastream

Dalai Lama's visit could lead to de facto Tibetan embassy in Taipei

Beijing condemns Taiwan-Tibet ties

By Laura Tyson in Taipei

The Dalai Lama, Tibet's exiled spiritual leader, is to meet Taiwan's first democratically-elected president today in what China has condemned as a "collusion of splittists".

The Buddhist god-king and Mr Lee Teng-hui, a devout Presbyterian, are expected to discuss a proposal to establish an unofficial Tibetan office in Taipei to handle religious and cultural affairs.

In practice it would serve as a *de facto* embassy for the Tibetan *government-in-exile*, similar to the representative offices in Taipei of other countries which do not have formal diplomatic ties with Taiwan.

On the eve of Hong Kong's return to Chinese control, Beijing was always likely to be angered by this public expression of warming ties between the two biggest obstacles in the way of its efforts to "unify the motherland".

China regards Taiwan, formerly Formosa, as a rebel-held Chinese province and Tibet as an ancient part of its sovereign territory.

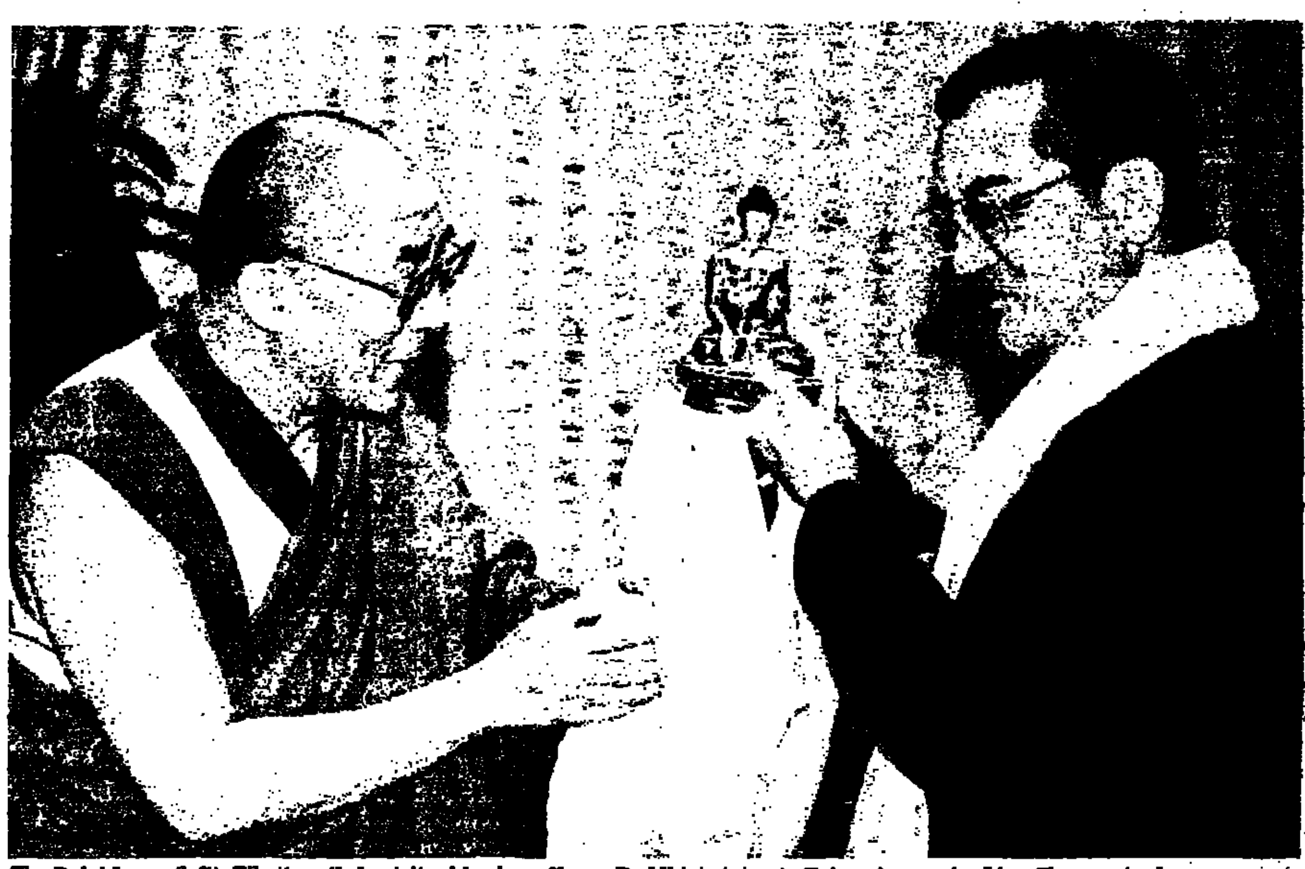
Beijing has also become increasingly irritated by Taiwan's attempts to maintain an international profile, though Taipei's diplomatic offensive was set back last year when South Africa severed diplomatic recognition of Taiwan in favour of Beijing, leaving only 29 mostly small and less developed states that still recognise Taipei.

During Taiwan's first democratic elections last year, China carried out provocative military exercises in the waters off the island.

In anticipation of the political fall-out from Beijing, Taiwan's ruling Nationalist government said the meeting between Mr Lee and the Dalai Lama would be held not in the presidential palace but in the foreign ministry's guesthouse in Taipei. Yesterday the Tibetan spiritual leader held talks with Mr Lien Chan, the premier, and Mr Hsu Hsin-liang, head of the leading opposition Democratic Progressive party, which openly calls for Taiwanese independence from the mainland.

Beijing accuses both Mr Lee and the Dalai Lama of seeking independence for their respective homelands. Both deny such intentions.

Mr Lee's ruling Nationalist Party officially supports reunification but only once China becomes equally as democratic and prosperous as Taiwan. A Chinese foreign ministry spokesman in Beijing yesterday accused the Dalai Lama of insincerity and attempting to "mislead the media and confuse people's minds". He added: "On one hand the Dalai Lama publicises internationally the view that he does not want Tibetan independence, and on the other hand he everywhere engages in activities to split the motherland."



The Dalai Lama (left), Tibet's exiled spiritual leader, offers a Buddhist statue to Taiwan's premier Lien Chan yesterday Reuter

Italian parties support budget

By Robert Graham in Rome

Italy's centre-left government is set to rely heavily on accounting devices to bring its budget deficit within the criteria for joining the European single currency.

A corrective mini-budget, given broad approval by the governing coalition parties yesterday and due to be unveiled today, is designed to correct a deficit that is 0.8 per cent of GDP greater than the 3 per cent target laid down by the Maastricht treaty.

Yesterday the government of Mr Romano Prodi, the prime minister, appeared to have decided against any serious *structural corrections to the* deficit.

Instead members of the centre-left Olive Tree coalition gave broad agreement to a package designed to raise almost half the L15,300bn ($9bn) it needs by a raid on funds companies are obliged to set aside for paying employees who leave.

Confindustria, the industrialists confederation, has opposed the move. Yesterday

Continued on Page 18

Daimler-Benz back in black with $1.65bn profit

By Sarah Althaus in Frankfurt

Daimler-Benz, the German industrial group, yesterday *underlined its robust recovery* from record losses of DM5.7bn in 1995, announcing net income of DM2.8bn ($1.65bn) for last year, well ahead of market expectations.

The 1996 figure was also an improvement on the company's forecast earlier this month for profits of "at least DM2bn". Sales rose 10 per cent *to DM106.3bn*.

Daimler shares surged to a record high of DM136 in late afternoon trading in Frankfurt before settling back to DM135.80, up 4.5 per cent.

However, analysts were wary of the group's statement that last year's earnings were distorted by extraordinary factors, particularly relating to *deferred taxes.*

"Earnings were way above my *forecasts* but until Daimler tell us exactly what these one-time factors and taxes refer to, it's safer to look at the underlying trend in operating profits, which was bang in line with expectations," said Mr Georg Stürzer, analyst at *Vereinsbank Research* in Munich.

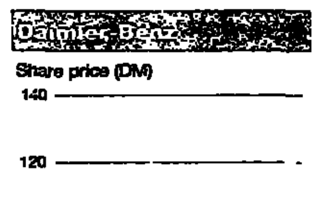
Operating profits, calculated according to US accounting rules, were DM2.4bn last year, compared with a DM1.09bn loss in 1995.

Daimler said the sharp *growth would allow it to pay a* DM1.10 dividend, also ahead of expectations of about 80 pfennigs. The group last paid a dividend in 1994.

The group declined to specify the size of the deferred taxes or what the extraordinary factors referred to. It said details would be provided at a news conference on April 16. However *Daimler* said: "The difference between the earnings figures for 1996 and 1995 is not quite as big as these raw, headline figures might suggest."

Analysts speculated that the one-time factors were related to losses carried forward from 1995, when the group incurred

Daimler-Benz



Source: Datastream

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NEWS: EUROPE

Russian PM appeals to protesters

By John Thornhill in Moscow

Mr Victor Chernomyrdin, Russia's prime minister, yesterday appealed for calm and promised more cash as millions of unpaid workers and pensioners prepared to mount mass protests against the government today.

Acknowledging legitimate grievances, Mr Chernomyrdin urged the people to "display wisdom" and ignore inflammatory calls for mass acts of civil disobedience.

"We should not be carried away by emotion and be provoked. That will throw us back even further," said Mr Chernomyrdin. "We will do everything to address these problems. You should not rock such a big boat as Russia."

Mr Chernomyrdin promised the state and private employers would spend Rbs11.8bn ($2m) by the end of the month paying off about a quarter of their outstanding obligations. President Boris Yeltsin has described the non-payments situation as "immoral" and vowed to clear the government's social debts by the summer.

The build-up of wage and pension arrears has been caused by a severe shortfall in tax revenues and has forced the government to borrow heavily in international and domestic debt markets. But that policy runs the risk of pushing up interest rates further and stifling economic growth this year.

Announcing further changes to the government yesterday, Mr Chernomyrdin said the reshuffled cabinet would be much more effective in tackling social problems.

He confirmed Mr Yevgeny Yasin, the former economics minister, would remain in government, focusing on longer-term economic strategy. And he announced the appointment of Mr Alexei Kudrin, a liberal economist from St Petersburg, as first deputy finance minister, strengthening the government's reformist credentials.

Mr Anatoly Chubais, first deputy prime minister and finance minister, said the government would step up the war against corporate tax dodgers and lashed out at irresponsible regional governments for exacerbating social tensions.

He singled out for criticism the diamond-rich republic of Sakha (formerly Yakutia) claiming it had the worst record of any region for meeting its own pension fund obligations while it attempted to lay blame at Moscow's door.

Mr Boris Nemtsov, third of the troika of ministers which is now spearheading the reform drive, also promised yesterday that government spending would be brought under control. In a populist move, he announced the government would gradually auction off its foreign-made cars and replace them with cheaper Russian models – manufactured in Nizhny Novgorod, where he was formerly governor. He said further savings would come from putting up more government contracts to competitive tender. "We should live within our means. This applies above all to the government and its budget," he said. Mr Yeltsin said more western investment in Russia would be forthcoming following his meeting with President Bill Clinton last week.

In a national radio address, he reaffirmed his commitment to integrating Russia with the west. "I am aware that my opponents reproach me for not being tough enough at the negotiations. Of course, we could have knitted our brows and pounded the table with our shoes as happened during the cold war years. But what would we have achieved? Another round of irreconcilable enmity, a new isolation of Russia."

Belarus 'isolated' warns president

By Matthew Kaminski in Moscow

President Alexander Lukashenko, who in a rare diplomatic feat angered both Moscow and Washington this week, warned his countrymen yesterday that Belarus must face up to international isolation.

"We have no one left to count on," the Belarus leader said in a three-hour televised address. "They have started to suffocate us openly; to suffocate us in the west and unfortunately somewhat in the east."

The fiery speech suggests the charismatic Mr Lukashenko may be trying to shore up domestic support in the face of international criticism of his authoritarian rule. Pressure on Mr Lukashenko has continued in spite of his success last November in setting up a puppet parliament and forcing through a new constitution.

Although the local opposition brought out just 10,000 demonstrators last Sunday in a march that was marked by violence, the Minsk government caused a diplomatic breach with the US and brought condemnation from the Kremlin through its subsequent response.

On Sunday night Belarus expelled Mr Serzh Alexandrov, first secretary at the US embassy, after arresting him at the rally. The US state department said it "deplored" the move and recalled its ambassador.

A Russian journalist had his accreditation withdrawn and broadcast media were barred from transmitting material, which brought a surprisingly sharp rebuke from the Kremlin.

A US official in Minsk yesterday told the Interfax news agency that Washington was weighing its response. Belarus also recalled its US envoy.

A poor human rights record and lack of economic reform last week led the US to halt its remaining $40m aid programme. Relations have been bad since 1995 when Belarus shot down and killed two Americans taking part in a balloon race.

The Kremlin's criticism of Belarus vindicated Russian liberals who oppose closer ties with Mr Lukashenko. But nationalists in Moscow yesterday called Sunday's protests a western provocation aimed at undermining Slavic union ahead of his meeting next week's with President Boris Yeltsin.

Mr Lukashenko has used the popular issue of possible reunion with Russia to keep his domestic critics at bay and any strains with Moscow might weaken him.

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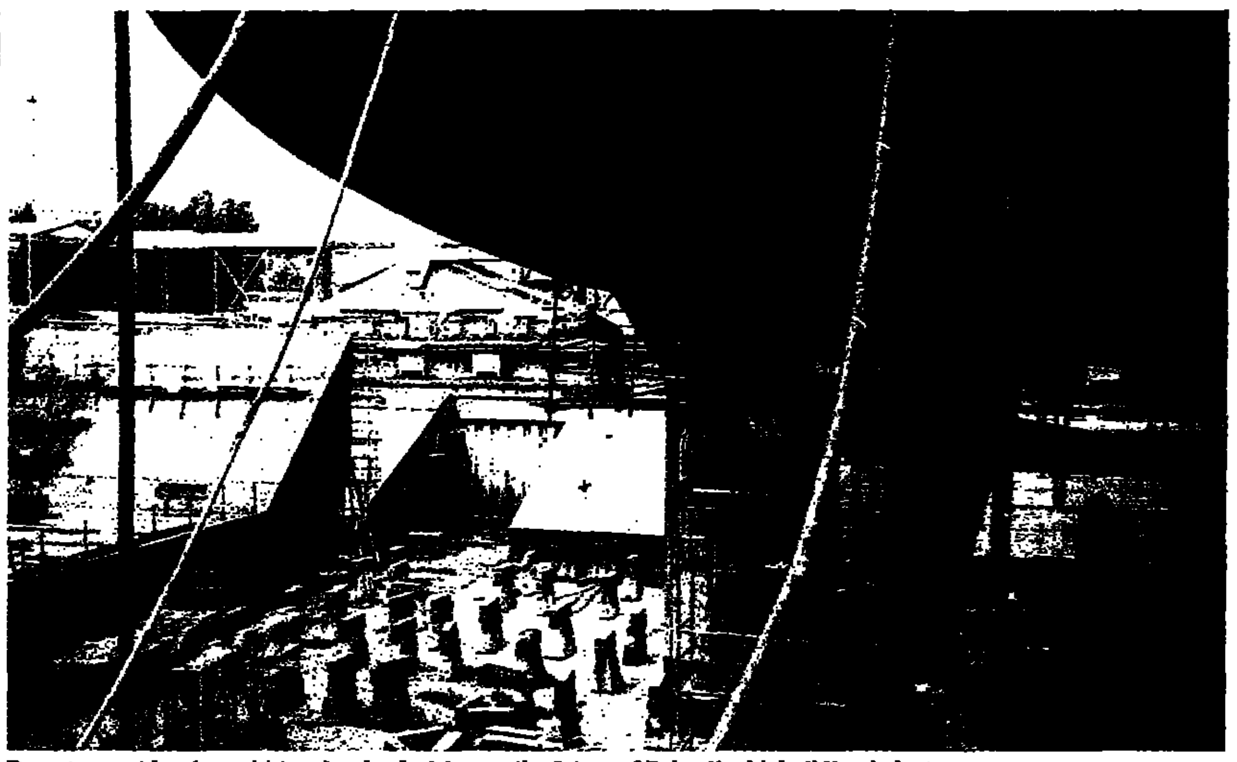


Recent unrest has brought to a head a decision on the future of Poland's shipbuilding industry Anthony Robinson

Polish shipyards seek to chart more hopeful course

A new minister has taken steps to end years of rivalry, **Christopher Bobinski** and **Anthony Robinson** report

Nothing concentrates the mind of a Polish government in an election year more than shipyard workers demonstrating in the streets of Gdansk, founding city of the Solidarity union movement.

But recent demonstrations by several thousand remaining employees at the historic but bankrupt Gdansk yard did more than preserve some of their jobs. It also brought to a head a long-postponed decision about the future shape of the Polish shipbuilding industry as a whole.

The likely outcome is a consolidated shipbuilding and marine engineering group which will see the Szczecin shipyard, Poland's only profitable ship producer, take a majority stake and management control over its bigger and more modern rival at Gdynia, and the Cegielski marine engine company based in Poznan.

The price Szczecin has had to pay for realising its dream of building a Korean-style industrial conglomerate is to let the government off a political hook by agreeing to transfer the construction of five bulk tankers for the state-owned PZM shipping company worth $100m to the bankrupt Gdansk yard.

The catalyst for the new decisiveness over the future of the industry is Mr Marek Belka, Poland's tough new finance minister. He decided to end years of rivalry between Szczecin and Gdynia by his decision to transfer the Polish treasury's 47 per cent stake in Gdynia to the profitable and efficient Szczecin yard.

Gdynia, over 200kms to the east along the Baltic coast, was expensively modernised in the 1970s and can build vessels up to 300,000 dwt. But Szczecin, a smaller yard, which faced bankruptcy five years ago, is now profitable and highly productive, while Gdynia lost 90m zlotys ($29.3m) last year on ships worth $300m, although it forecasts a small profit on the 12 vessels worth $400m it plans to deliver this year.

Under Mr Piotrowski's management, the Szczecin yard restructured its finances in 1993. It introduced flow-line production methods, raising output and quality sharply. In the past two years, it has built two new slipways, allowing it to build 32 metre-wide Panamax ships of up to 50,000 dwt tonnes.

It also installed new 300-tonne capacity cranes and IBM computer equipment and software for the design department. Higher productivity has partly offset rising wages and zloty appreciation and helped the yard retain a 15 per cent cost advantage over far eastern competitors - without subsidies.

This year it expects to make a "modest" profit on deliveries of 21 vessels worth $580m. Mr Piotrowski sees the Gdynia yard as a natural partner for Szczecin and will allow the merged unit to offer shipowners a wider range of vessels.

The merger plan is backed by Polish banks such as the soon-to-be-privatised Bank Handlowy, which owns a 19 per cent stake in Gdynia and is ready to sell this stock to Szczecin.

Under Mr Piotrowski's plan, funding for the project would partly come from the European Bank for Reconstruction and Development (EBRD). "I think there is an over 50 per cent chance the EBRD will come in," Mr Piotrowski said this week.

The EBRD is interested, but not yet convinced. "We were approached late last year and asked whether we would support consolidation. We said we would look at it.

"But we'll do nothing without a business plan which convinces us that the combined group would be greater than its parts," Mr Allain Pilloux from the EBRD's Polish section confirmed.

"We would be happy if Szczecin took control of the Gdynia shipyard and Cegielski through a capital increase which diluted the interests of the other two companies.

"We simply do not know at this stage how much the EBRD's contribution would be, but the bank's funds would be used primarily to restructure Szczecin's over-leveraged balance sheet, allowing it to retire some its debt, and in buying new equipment to modernise facilities," he added.

Mr Piotrowski thinks the Polish shipbuilding industry should be producing vessels worth $1.5bn a year rather than the current $800m a year and should take advantage of a cost advantage which will allow the industry to remain competitive for the next 10-15 years while Polish labour and other costs remain relatively low.

He is adamant that the Gdasnk yard, whose assets the liquidator is still trying to sell for around $20m, should not be brought into the planned conglomerate.

The EBRD, which operates on commercial lines but is dedicated to deals which ordinary commercial banks find too risky or insufficiently profitable, is trying to analyse if the proposed consolidation will help realise the industry's potential.

"We are looking for synergies and trying to work out whether the proposed new group would be able to withstand competition on world markets. But we don't expect our money to be used in the Gdansk shipyard and we are still examining whether the latest move by the government will affect the viability of the proposed consolidation," Mr Pilloux says.

Schneider offers out of court deal

By Lionel Barber in Brussels

Lawyers acting for Groupe Schneider, the French engineering group, have offered an out-of-court financial settlement in return for the Belgian authorities dropping charges of fraud and embezzlement against Mr Didier Pineau-Valencienne, the group chairman.

According to Le Soir Illustré, a Belgian news magazine, the Schneider offer amounted to BFr400m ($11m). It was turned down and details of the proposed deal were passed to the Belgian Justice Ministry.

Three years ago, Mr Pineau-Valencienne was held in prison for 12 days over allegations of white-collar crime which shook the French corporate establishment and caused friction between the French and Belgian governments. He was later released on bail.

Mr Pineau-Valencienne returned voluntarily to Belgium in June 1995 to be questioned about allegations that he siphoned money into a secret fund at the expense of minority shareholders. Belgian investigators suspected that Schneider's offshore network was a device to evade taxes, but Mr Pineau-Valencienne denied wrongdoing.

Schneider was supposed to have paid back around BFr1.04bn in back taxes to the Belgian authorities by the end of last year. The latest offer to settle outstanding claims covering aggrieved civil parties and the tax authorities was made through Mr Pierre Legros, a Brussels lawyer who represents one of Schneider's top executives in the US.

Mr Pineau-Valencienne denied yesterday that he had made the offer. "There has been no initiative whatsoever in France, and particularly from Schneider," he said. "No one in France has intervened to try to close this case."

However, he added: "There may be some initiatives in Belgium that I'm unaware of."

A spokesman for Mr Stefaan De Clerck, Belgium's justice minister, said it was not unusual for parties to propose an out-of-court financial settlement to an investigating magistrate.

But in the Pineau-Valencienne case, the magistrate had long passed the inquiry to higher judicial authorities who were still conducting an in-depth investigation.

Schneider shares, Page 21

Workers from the German steel company Thyssen ponder their future after hearing the job cuts announcement Reuter

German steel workers face further job cuts

By Peter Norman in Bonn

German steel workers yesterday learned that the creation of a joint steel company by Thyssen and Krupp Hoesch will cost 4,000 jobs in addition to those already being cut by the two companies.

The brunt of restructuring will be felt by the loss-making Krupp plant in Dortmund. But, in separate statements, Mr Ekkehard Schulz, chief executive of Thyssen's steel-making subsidiary, and Mr Hans-Wilhelm Grasshoff, chief executive of Krupp Hoesch, assured employees there would be no compulsory redundancies. Although their pledges met a central demand of the I G Metall union, strikes against potential job losses continued for a second day yesterday at Krupp plants in Dortmund, Bochum and Siegen.

Reflecting widespread mistrust of management, Mr Dieter Krol, head of the workers' council at Thyssen Stahl, yesterday demanded written guarantees that there would be no sackings. In Dortmund, angry workers greeted Mr Wolfgang Clement – the North Rhine Westphalia economics minister who has helped negotiate the steel merger – with whistles and catcalls.

Mr Schulz announced yesterday that the merger would lead to a concentration of iron-making at Thyssen plants in Duisburg on the Rhine. Over the next four years, blast furnaces and smelters at the Krupp plant in Dortmund would be closed, leading to a fall in the town's steel workforce from 5,700 to 2,100. By contrast, Duisburg – an unemployment black spot where 18 per cent of the labour force is out of work – would gain 300 jobs.

Some jobs will be saved in Dortmund through investment in new steel processing plants. According to Mr Clement, Thyssen and Krupp have agreed to create 1,300 non-steel jobs in the city.

Including earlier announced job cuts, the workforce of the merged steel company will be cut by 7,900 by 2002 from 24,900, with the loss of about 1,000 white-collar jobs.

Talks on the merger of Germany's largest and second-largest steel companies began last week at the instigation of the North-Rhine Westphalia government following news that Krupp planned a hostile bid for the larger Thyssen group. It was announced last night that Thyssen would have 60 per cent of the new company and Krupp 40 per cent.

EUROPEAN NEWS DIGEST

Minister quits in Malta

Mr Lino Spiteri, Malta's minister for economic affairs and finance, has resigned, just five months after Mr Alfred Sant's unexpected election victory. An exchange of letters between the Socialist prime minister and Mr Spiteri, released by Mr Sant yesterday, gave no specific reason.

Mr Spiteri, a former economics minister under Mr Dom Mintoff, had apparently planned to stay on to see the government through its initial phase. In his letter, dated March 21, he said he was unable to continue and asked the premier to find a replacement.

The resignation may hurt the government's plans to replace value added tax – a key election pledge – with 15 per cent customs tariffs and duties of 5-10 per cent. These plans are unpopular with wholesalers and service companies. *Godfrey Grima, Malta*

Yugoslavia expert resigns

The UN expert on missing persons in the former Yugoslavia, Mr Manfred Nowak, resigned yesterday, blaming lack of support from the international community. Mr Nowak told the UN Human Rights Commission in Geneva he was quitting with immediate effect.

"My resignation is based on the experience that there is not sufficient political will to establish the fate of the missing by all possible means, including exhumation," the Austrian official said. "A solution to the problem of disappearances is a major precondition for justice and a sustainable peace in the region."

Mr Nowak said he had received just $300,000, or only 5 per cent of the $6m he had asked for in May 1996 for a series of exhumations.

In a report made public in February, he estimated were 25,000 people still reported missing in former Yugoslavia and criticised Ifor, the former international peacekeeping force in Bosnia, for failing to provide security to forensic experts in the field. *AFP, Geneva*

German citizenship plan

The junior partner in Chancellor Helmut Kohl's coalition government will introduce legislation next month that would grant German citizenship to anyone born in Germany, not just ethnic Germans.

Mr Guido Westerwelle, leader of the liberal Free Democratic party, said yesterday that arguments that Germany was not an immigration country were false. "We've been that in fact for a long time," he said.

The ultra-conservative Christian Social Union, another of the three parties in Mr Kohl's government, rejected any changes to the current system, which makes it difficult for non-ethnic Germans to get German citizenship or dual citizenship, even if they are born there. *AP, Bonn*

Steffi Graf tax probe ended

The investigation into possible tax evasion by the tennis player Steffi Graf has been officially called off, German officials said yesterday. The investigation was dropped after Miss Graf paid an unrevealed sum of money to charity, they said.

Miss Graf said: "I accepted the dropping of the investigation in exchange for a payment of a sum of money with a heavy heart, knowing I had done nothing wrong."

She said she had no doubts that if the legal proceedings launched against her in 1995 had taken their course, she would have been found innocent, but had decided it was better to spare herself the trial.

Her decision comes only two months after her father Peter was jailed for nearly four years for tax evasion. Miss Graf, whose earnings since her professional debut in 1982 to the end of 1995 are estimated at over DM150m ($90m), has maintained she left all her financial affairs up to her father and her advisers. *AFP, Mannheim*

Dutch seize 96,000 CDs

Officials at Schiphol Airport, Amsterdam, yesterday seized 96,000 illegal compact discs in a shipment from Bulgaria. Dutch customs and the Dutch authors' society said the pirate CDs, with a total retail value of $2.4m, were probably destined for the European market.

They said customs at Schiphol became suspicious last Friday about a huge shipment of CDs from Bulgaria, the world's second largest producer of pirate CDs after China. The music industry has asked the European Commission to urge Bulgaria to stop producing them, saying it costs the industry $100m a year. *Reuter, Amsterdam*

Brussels backs court action

The European Commission yesterday backed calls for court action against EU farm ministers over their decision to block the European parliament's involvement in drawing up proposals on compulsory labelling of beef.

Commissioners backed Mr Jacques Santer, president of the Commission, who had called for court action following the farm ministers' decision last week to exclude the parliament from scrutinising the legislation.

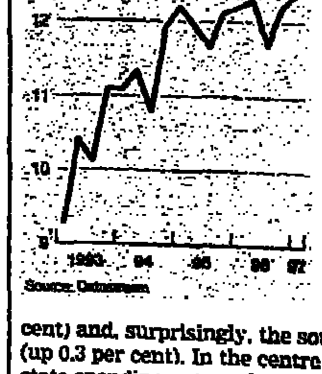
The Commission's decision follows last week's call for legal action by the European parliament's environment committee. The Commission is to hold talks with the parliament about the possibility of taking joint legal action, a Commission official said.

Mr Santer's call was prompted by last week's decision by farm ministers to block the parliament's right to vet a proposal on beef labelling and identification and registration of cattle.

The president promised earlier this year that the parliament would be given a greater role in deciding EU farm policy. *Caroline Southey, Brussels*

ECONOMIC WATCH

Italy's unemployment up



Unemployment in Italy rose in January to 12.4 per cent of the active population, compared with 12.2 per cent during the same month in 1996, according to Istat, the official statistics institute.

The worsening situation, with 2.8m people out of work, reflected continued shedding of jobs in agriculture and industry, though the services sector managed to generate 1.4 per cent more jobs. The dynamic industrial northeast was still creating employment (up 0.8 per cent) and, surprisingly, the south showed a modest rise (up 0.3 per cent). In the centre of the country, hit hard by state spending cuts and a flat construction industry, jobs declined by 1 per cent, while in the northwest the impact of stagnation in the heavy engineering industries caused a 0.3 per cent drop. *Robert Graham, Rome*

■ Consumer prices in western Germany fell 0.1 per cent in March from the previous month and were up 1.6 per cent from the same month a year earlier, the Federal Statistics Office said. The figures are preliminary and are based on a survey of west Germany's four most populous states.

France plans help for new arrivals

By Andrew Jack in Paris

The French government yesterday announced measures to ease the rapid integration of immigrants, on the day the country's parliament passed controversial laws to clamp down on clandestine immigration.

Mr Eric Raoult, junior minister for urban affairs and integration, unveiled an 18-point plan to the cabinet including an acceleration in the process of naturalisation, and help with language lessons and job hunting.

The proposals were partly designed to help improve the situation in France's troubled suburbs, in the wake of growing concern in recent months over poverty, unemployment, crime and urban unrest.

However, they came as the government is also attempting to play tough on immigration, in a policy designed to win back ground from the extreme rightwing National Front party, which recently won a fourth town hall in the southern town of Vitrolles outside Marseilles.

Mr Jean-Louis Debré, interior minister, argued in an interview in the French magazine VSD yesterday that France must take a tough view towards clandestine immigration and draw a distinction with legal immigrants.

Separately, the National Assembly voted yesterday in a final reading for approval of the so-called *loi Debré*, designed to curb clandestine immigration, which triggered huge protests and a large number of petitions earlier this year.

The most controversial item in the law was subsequently amended. In an effort to prevent foreigners remaining illegally in the country, it would have obliged their hosts to notify the authorities when they left, creating detailed computer records.

Meanwhile, the opposition Socialist party is preparing a draft immigration policy which is believed to propose the abolition of the existing Debré laws and others introduced in 1993. They would be replaced with entry quotas which would vary in proportion to the economic health of the country.

Mr Raoult's new proposals, valued at FFr3.5bn ($615m), call for up to 500 hours of free French language training, access for 160,000 school students for additional tuition assistance, and measures designed to reduce racial discrimination.

EU mission in Albania as security talks go on

By Kevin Done in London and Agencies

An advance team of experts including military officials from European Union countries began operations in Albania yesterday, to prepare the way for an expected security force of several hundred to protect emergency aid to the country.

Albania has appealed for an international force to oversee relief operations and to help re-establish order after weeks of violence and insurrection in which the government has lost control of much of the south of the country.

In Vienna last night the 54-member Organisation for Security and Co-operation in Europe (OSCE) was close to agreeing on the framework for the military force, which is likely to be led by Italy and is expected to include forces from other countries including Spain, Greece, Austria and Turkey, according to diplomats.

Ambassadors of the 54-member OSCE agreed in principle that the organisation would lead the international aid effort, but some members led by Russia were insisting that the project should first be given the go-ahead by the United Nations Security Council.

There is broad agreement that Mr Franz Vranitzky, the former Austrian chancellor and the OSCE's peace envoy to Albania, should head the operation.

The OSCE is expected to co-ordinate the civilian effort to Albania, which will include the preparation and monitoring of elections that are supposed to be held by the end of June as well as measures to strengthen human rights and protect the news media.

Distribution of humanitarian aid is likely to be led by the EU, with international financial institutions such as the International Monetary Fund and the World Bank leading preparation of measures for the financial reconstruction of the country.

The European Commission said that it had agreed yesterday to send humanitarian aid worth Ecu2m ($2.3m) to help victims of the crisis. The aid, managed by the EU's humanitarian office Echo, will enable the International Committee of the Red Cross to distribute food and medical supplies for about 10,000 people.

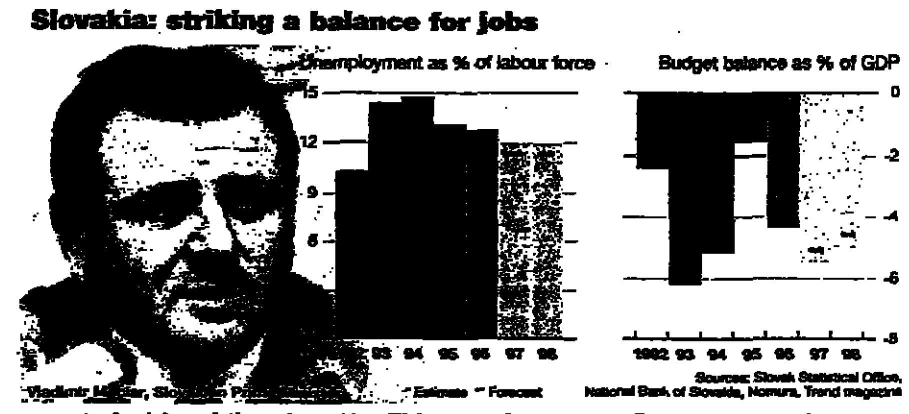
The European Commission said it would monitor the situation closely with a view to guaranteeing that adequate protection was provided for both goods and people involved with the relief effort.

Armed rebels and lawless gangs still control much of the south from Vlore on the Adriatic coast, to the Greek border.

Slovak jobs plan sets off alarm bells

New proposal threatens reputation for financial discipline, writes **Vincent Boland**

Slovakia: striking a balance for jobs



Vladimir Mečiar, Slovakian Prime Minister

After going its own way on privatisation by selling large blocks of industry to government favourites, Slovakia is about to adopt a novel form of industrial restructuring by granting ailing companies immunity from bankruptcy under certain conditions, including not shedding staff.

A government-sponsored bill currently before parliament proposes setting up a "revitalisation commission" that will grant up to Sk70bn ($2bn) in debt write-offs, tax exemptions and other incentives to selected companies in dire need of modernisation but burdened by a mountain of unpaid bills. Companies would qualify if they agreed, for instance, to maintain employment levels, boost exports and become profitable. In return, they would gain indefinite exemption from bankruptcy, even in cases where winding-up proceedings were already under way.

Other details of the measure are vague, but it appears aimed mainly at the armaments and engineering sectors. The former was especially badly hit by the collapse of Comecon, the Communist trade bloc. It is also a big employer in a country where 13.6 per cent are out of a job and there is little prospect of work.

A general election, in which unemployment is bound to be a key campaign issue, must be held within about 18 months. Mr Vladimir Mečiar, the prime minister, insists that it is not acceptable to make more workers redundant or close unviable companies that employ thousands – as some of the likely beneficiaries of the new legislation are planning to do.

As a result, the revitalisation plan appears to have a social as well as an industrial dimension. However, largely because of the undefined scope of its intent, it has set alarm bells ringing at the central bank, and among western officials in Bratislava.

They fear that its unclear fiscal costs will lead to runaway government spending and damage the country's reputation for financial discipline, which created a favourable climate for strong economic growth in 1995 and 1996. This growth, 6.9 per cent last year and the best in central Europe, kept the country on the investment map at a time when its confrontational internal politics were the target of criticism.

Spending is already rising rapidly, and ministers are chafing at the central bank's tight monetary policy. Some of the reliefs to be granted under the proposed plan relate to future tax payments, closing off an obvious source of budget revenues and forcing cuts elsewhere.

"It's inevitable when bailing out companies that the taxpayer picks up the bill," said Mr Jaromir Cekota, Bratislava representative of the European Bank for Reconstruction and Development.

The scheme would also result almost certainly in more state interference in the economy and is open to political abuse, a point noted by Mr Eugen Jurzyca, head of the Centre for Economic Development, a think-tank. Restructuring is best left to market forces, he says, and should not be steered from the cabinet. One of the quickest ways Slovak companies can cut costs is to reduce overstaffing but this scheme could prevent that.

"If the scheme is enforced too rigorously it could complicate Slovakia's attempts to join the Organisation for Economic Co-operation and Development, tentatively scheduled for later this year," said Mr Jurzyca.

Perhaps the most serious immediate consequence, however, is that it could cause an upheaval at the independent central bank.

Mr Vladimir Masár, the governor, has been asked to join the nine-member commission to implement the measure, if it is passed by parliament, even though he has urged that it be heavily revised. His position at the bank has already been undermined by recent appointments to the board of key finance ministry officials, among them the minister, Mr Sergej Kozlík. This is seen as an attempt to loosen the bank's unpopular but effective tight monetary policy as the gap between government and central bank policies widens sharply.

In addition, the revitalisation scheme coincides with the setting up of an export-import bank to finance an export drive by large companies, including those that would benefit from the plan. This would be under direct government supervision, with no role for the central bank.

For many foreign investors, the independence of the central bank has been the guarantor of Slovakia's hard-won financial stability. There is already speculation in financial circles that Mr Masár may step down, viewing revitalisation as the last straw.

The legislation had its first reading last week in parliament, where it appears to have substantial backing from MPs aware that there are votes to be won by supporting it. So approval is likely soon.

Mr Cekota believes some aspects of the measures may be unconstitutional, particularly in the way it affects the collateral which companies have offered as guarantees for bank loans. President Michal Kováč may refer it to the constitutional court, Slovakia's highest judicial body, for a verdict before signing it into law.

That would delay implementation of the plan, but is unlikely to dampen the populist Mr Mečiar's enthusiasm for it.

Macedonia in deal on Yugoslavia debt

By Kevin Done, East Europe Correspondent

Macedonia yesterday followed Slovenia and Croatia in reaching an agreement with the London Club of commercial banks over its share of the foreign commercial bank debt of former Yugoslavia. The deal opens the way for it to gain access to international capital markets for the first time since becoming an independent state in 1991.

It will issue new bonds totalling $228.7m in exchange for its share of Yugoslavia's debt of around $5.6bn in principal and interest.

Macedonia has agreed to take on 5.4 per cent of the principal and 3.65 per cent of the interest on former Yugoslavia's debt arising from the 1988 New Financing Arrangement, the last debt rescheduling agreed by Belgrade with the commercial banks before the break-up of Yugoslavia in 1991 and the default in early 1992.

In last year's deals Slovenia issued bonds for $812.5m and assumed 18 per cent of the former Yugoslav debt, while Croatia issued bonds worth $1.46bn and took on 29.5 per cent of former Yugoslavia's outstanding obligations.

As part of the deal Macedonia has been released from the onerous joint and several liability clause in the NFA, which made each borrower liable for the whole debt. It has also been granted significant debt-servicing concessions by the banks.

The bonds will be paid back over a period of 15 years, with an initial four-year grace period. The interest rate will be Libor plus $\frac{13}{16}$, but this will be reduced to 3.5 per cent in the first two years and to 3.75 per cent in the subsequent two years.

Mr Robert Gyenge, vice-president of Chase Manhattan, the US bank which is chairman of the London Club's international co-ordinating committee for former Yugoslav debt, said Macedonia had followed Slovenia and Croatia in excluding from the bond issue all Serbian holders of former Yugoslav debt.

He said the banks hoped to reach a preliminary agreement with Bosnia-Hercegovina on its share of the debt by the end of June, so a deal could be completed this year. The banks were open to more talks with Belgrade, but none were planned.

US envoy faces daunting task in salvaging Mideast peace

Ross rides back to the rescue

By Judy Dempsey in Jerusalem

Mr Dennis Ross, US special Middle East envoy, returns to the region today in an attempt to salvage the peace process.

He was instrumental in forging the Hebron agreement in January, and the decision to send him back was made after senior US officials, including Mrs Madeleine Albright, secretary of state, contacted Mr Benjamin Netanyahu, Israel's prime minister, and Mr Yassir Arafat, president of the Palestinian Authority.

His return follows days of clashes between Israeli soldiers and Palestinians and a terrorist attack by a suicide bomber which killed three Israeli women last Friday.

The visit signals a reflex dependence by Israel and the Palestinians on the US to break the impasse and put the peace process back on track. "It says a lot about the complete breakdown of trust and confidence between both sides," said Mr Joseph Alpher, head of the Israel-Middle East department at the American Jewish Committee in Jerusalem. "But it also says something else. After Hebron, the US realised it was not a positive development that it was so involved in Hebron – acting as guarantor for its implementation. As soon as it could, it wanted to extricate itself from such close involvement."

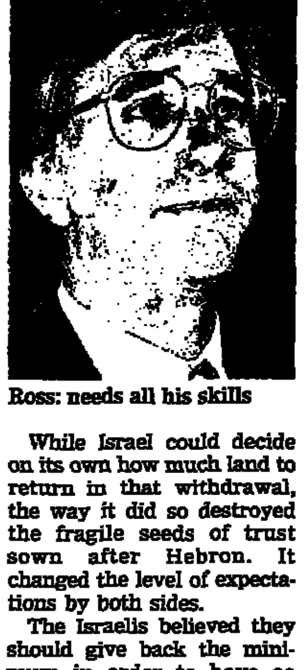
This, however, has proved impossible because the reciprocal obligations tied into the Hebron agreement and guaranteed by the US have not been met by either side.

Israel, say analysts, has undermined any element of trust which had developed between Israelis and Palestinians.

Mr Netanyahu decided unilaterally to begin work on a new Jewish settlement at Har Homa in Arab east Jerusalem. This would change the situation on the ground before the start of the final status talks which will focus on Israel's borders, the Jewish settlements, the 4m Palestinian refugees, and the future of Jerusalem. In doing so, he contravened the 1993 Declaration of Principles which specifically states that Jerusalem be left until the final settlement.

The Israeli government also gave back, in real terms, only 2 per cent of land to Palestinian control in the first of the three Israeli withdrawals from the West Bank to be completed by mid-1998. Seven per cent was already under joint Israeli-Palestinian administration, analysts point out.

These two decisions infuriated the Palestinians. The leadership, in response, started to release prisoners suspected of involvement in bomb attacks last year. All three actions created the conditions for last week's terrorist bomb attack.



Ross: needs all his skills

While Israel could decide on its own how much land to return in that withdrawal, the way it did so destroyed the fragile seeds of trust sown after Hebron. It changed the level of expectations by both sides.

The Israelis believed they should give back the minimum in order to have as many bargaining chips as possible before entering final status talks. The Palestinians believed the first withdrawal would give them a clear indication of how much land would be returned, expecting about 80 per cent once all three pullbacks were completed. This would have underpinned physically the establishment of a Palestinian state.

Both sides have been determined to strengthen their bargaining positions for the final status negotiations. However, Israel holds all the cards, having total control over any return of land. So, by the time the final status talks were in full swing, the Israeli troop withdrawals would have gone a long way in delineating the future borders of Israel and Palestine. "Territory is the nub of the crisis," said one senior Israeli official. "It is about the future borders of both states."

Addressing these expectations will be Mr Ross's greatest challenge. The Palestinians will try to persuade him to extract concessions from Mr Netanyahu. In particular, they will want to know precisely how much Israel will withdraw from in the next two pullbacks, and whether it is possible to halt construction at Har Homa.

Such commitments are critical for Mr Arafat's personal authority and for the expectations of ordinary Palestinians who are choked by Israel's economic, political and territorial stranglehold and its ability to close off the West Bank and Gaza at will.

Mr Netanyahu will find it difficult to make such a commitment, given his own determination to hold on to as many cards as possible, and the insistence of nationalists in his coalition on keeping as much land as possible. "There is a lot at stake these coming days," a western diplomat said. "Mr Ross will require all his skills to move the peace process forward."

Egyptian groups take the public road

Mark Huband on the attractions of the Cairo Stock Exchange to a new generation of business leaders

Taking your wares to the bazaar used to be a rather simple process. You made your product, took it to the market, and sold at the best price. The product was what you sold. In Egypt the idea of selling the company did not enter the equation.

But the evolution of Egypt's market place has changed all that. Within less than a year a new terminology has filtered into the closed world of private companies, whose secretive and family-oriented father-founders are now giving way to sons with an eye on rapid growth, joint ventures and accountability.

The stock market, which has seen the value of trading soar from E£341m in 1991 to E£10.9bn ($3.2bn) in 1996, and its capitalisation rise to $18bn, has become the business community's new vehicle. While the lure of investment capital has left some business people wary, as they have preferred to keep their hands on the companies which they have built from scratch, others have leapt aboard the bandwagon, convinced that small is no longer practical and self or bank financing no longer sufficient.

"I wanted to go public, but people would ask me: why do you want to give away your company when it's so successful," Mr Saad Sallam, chairman of the Olympic Group, a leading trading and electrical manufacturing company, explained.

From a modest office block just off a dilapidated roundabout in the Moqattam hills overlooking Cairo, Mr Sallam in January instigated what is now viewed as a turning-point in the evolution of the Egyptian capital market. The company raised E£25.5m by selling 16.7 per cent of its Cairo Precision Industries subsidiary in the form of 300,000 new shares on the Cairo Stock Exchange, the first such Egyptian issue.

"The issue was 11.4 times oversubscribed, and the experience has meant that we will now float 25 per cent of the holding company as 600,000 new shares in an IPO [initial public offer] by June of this year. And within 18 months we expect to create three new companies and float all 12 of our companies. Our hope is to raise between E£160m and E£200m in the next 18 months," Mr Sallam said.

Olympic Group, which is Egypt's leading manufacturer of domestic heaters, has now set the trend in the evolving relationship between old business and new finance. Like many of Egypt's family companies, it was founded during the years between the 1952 revolution and the nationalisation programme launched in the early 1960s.

Until 1975, when it was returned to family ownership, the company experienced zero growth, just managing to support the Sallam family. In 1995 Olympic sold 14 per cent of its holding company in a private placement.

"With this private placement we brought down the psychological barriers of the group's shareholders," said Mr Sallam, who succeed his father as chairman. "Now, the tycoons are thinking about becoming transparent, and transparency will mean that people won't be able to do what they used to do. The capital market has really broadened our activities. Nothing will stop it now. It is a fantastic tool for growth, which is the name of the game."

Egypt: corporate culture takes hold

So why is there still scepticism? The level of foreign investment on the Cairo Stock Exchange last year reached $700m. According to Mr Yousef Boutros Ghali, Egypt's minister of state for economic affairs, this figure will double this year. Managing success, Mr Boutros Ghali said recently, was more difficult than managing a crisis. It is this truism that has intensified the caution of those not yet ready to hand over the fruits of their labour to a market viewed by some as immature and volatile.

"We are still waiting to see if the market really is mature enough and ready for an influx of private sector issues and IPOs," said Mr Khaled Sheta, the young vice chairman of the highly successful, family-run International Group for Investment.

"The success of the capital market will come out of the private sector IPOs, rather than privatisation. But there's a high level of unsophistication in the stock market, which has to be regulated before the balloon bursts," he said.

"The trend right now in the family businesses is that families will join forces with other family companies in projects that neither would be able to do on their own. People are breaking out of their own little kingdoms and joining forces.

"But the younger generation has a different challenge: we are competing with the whole world," Mr Sheta said, predicting that most family-owned companies would sell between 15-30 per cent of their stock within the next 18 months.

However, such moves will require drastic improvements in the conduct and regulation of the CSE, which is to see widespread reforms in the next six months. Attracting private companies to the stock market will be the key to its future prosperity. Although the government intends to privatise 18 companies this year, it will increasingly seek anchor investors for those remaining to be sold, heightening the importance of the private sector for the stock market.

"Most important financial institutions in Egypt work," said Mr Boutros Ghali. "All are working, in one way or another. And they are working at a very high rate. But the capital market needs a second generation of reforms. We need to establish risk-sharing mechanisms at all levels, to develop contract-enforcement mechanisms, and to have a population of healthy borrowers."

Exploiting domestic savings is now viewed as essential to the perpetuation of the stock market's vibrancy. Central Bank figures show that Egyptian banks, excluding the CBE itself, held E£45bn in savings, equal to 18 per cent of gross domestic product.

While overseas investors wanting to place their money in Egyptian stocks have generally not allowed their doubts about the institutional shortcomings of the market to damp down their enthusiasm – many fully exploiting the increasing use of global depository receipts for Egyptian issues – local investors in local companies in the local market are thought unlikely to invest their savings without widespread reform.

"We don't want to see people joining in without being advised by their bankers on how it works. The fund managers and regulators should be more regulated during this next period. They have been involved in these upward movements," said Mr Sheta of IGI, referring to recent share price rises inspired by brokers but viewed as unreflective of real values.

The demands of business people are as direct as those of potential investors.

"There's not enough market information. There can never be too much information. This year companies will have to provide quarterly statements, which means improving accounting procedures," said Mr Angus Blair of ING Barings.

"The auditing procedures of financial intermediaries must also become more clear.

"Our interest now is in seeing Egyptian companies perform better. And this year it is going to be interesting to see if they do."

Zaire rebels under pressure to stop fighting

By Michela Wrong in Nairobi

The rebel group now controlling a quarter of Zaire's territory came under international pressure yesterday to stop fighting and open negotiations with President Mobutu Sese Seko's regime, which is increasingly desperate for a deal.

Asked to the Togolese capital, Lomé, to attend an Organisation of African Unity (OAU) summit on Zaire – an invitation that represented a diplomatic coup for the rebels – the Alliance of Democratic Forces for the Liberation of Congo-Zaire (ADFL) was pressed to talk terms with the official Zairean delegation.

"I wish in the name of Africa to appeal to both parties to rise to the challenge of the hour," Mr Salim Ahmed Salim, OAU secretary-general, told the summit. "The presence of the two delegations offers the parties a unique opportunity to move the peace process forward with courage and determination."

The invitation extended to the ADFL, snubbed at previous peace summits, was a measure of the alarm felt by both regional powers and western governments at the slow-motion collapse of Zaire's government in the face of the five-month uprising.

With the ADFL now advancing on the towns of Lubumbashi and Mbuji-Mayi and threatening to seize control of the copper and diamond-rich provinces that prop up Zaire's faltering economy, rumours of an imminent army coup have been circulating in Kinshasa.

The resignation earlier this week of Prime Minister Kengo Wa Dondo, trusted by western governments but blamed by the opposition and army for the military debacle, has added to the growing sense of unease.

The US, France and Belgium now have more than 1,000 troops stationed across the river in Congo, ready to evacuate expatriates should Kinshasa fall prey to one of its periodic bouts of army looting.

The level of desperation in Mr Mobutu's camp became clear on Tuesday night when a spokesman said the president's party was ready to share power with the rebels, until now dismissed as Ugandan and Rwandan-backed foreign invaders. "First we will talk to find the mechanism for a ceasefire and then we will share power before elections," he said.

But the ADFL, apparently well aware of the risks inherent in making a deal with Mr Mobutu – a wily negotiator skilled in the art of co-opting and corrupting his enemies – yesterday rejected the idea of power-sharing as unacceptable.

"We shall never, never enter into any power-sharing with the government in Kinshasa," said Mr Bizima Karaha, the ADFL's foreign affairs strategist and a member of the Lomé delegation. "The issue is not power-sharing because you can have power-sharing today and the following day Zaire will still collapse. The problem is democracy, freedom, human rights respect. That's all that we want," he told the BBC.

South African officials who have been mediating between the two sides recently reported that Mr Laurent Kabila, the rebel leader, was showing signs of becoming more conciliatory and had dropped his demand for face-to-face talks with Mr Mobutu.

The main stumbling block, they said, was the question of whether a ceasefire preceded negotiations as Mr Mobutu wants, or negotiations came before a ceasefire, as Mr Kabila insists. The UN is hoping to persuade the two to accept ceasefire and simultaneous face-to-face talks.

That dispute is expected to be central to the Lomé summit. But as his forces continue sweeping across the country, encountering rapturous welcome in town after town, analysts say Mr Kabila may well be tempted to use the issue as a delaying tactic, touting his willingness to make peace on the international forum while his men quietly tighten their hold on Zaire.

WHO to urge bar on CJD-risk blood donors

By Frances Williams in Geneva

The World Health Organisation is to recommend that groups of people at heightened risk of contracting the brain-wasting Creutzfeldt-Jakob Disease should be barred from donating blood.

At the end of a three-day meeting in Geneva, scientific and public health experts decided that although there was no proof that Creutzfeldt-Jakob Disease (CJD) could be transmitted by blood transfusion there was a potential risk.

The meeting was called to examine the safety of medicines and blood products in the light of evidence on the transmission of bovine spongiform encepalophathy (BSE) or "mad cow" disease, and its possible link with a new variant of CJD.

The three groups already known to have an above-average incidence of normal CJD, which strikes about one person in 1m, are those treated with contaminated growth hormone in the early 1980s, those who have had brain and other surgery using duramater which is used to patch tissue, and family members of a CJD victim.

The experts also reinforced a previous WHO recommendation that blood should not be taken from any sick person, including CJD patients, and said they would advise the WHO to recommend against the use of duramater for any purpose.

Dr Paul Brown of the National Institutes of Health, Bethesda, in the US, said yesterday that some 11,600 people had received growth hormones from cadavers in the US, Britain and France, of whom 86 had contracted CJD. Growth hormone is now made from recombinant technology which carries no CJD risk.

The recommendations on blood transfusions follow laboratory experiments by Dr Brown that show a small risk of CJD transmission through blood plasma in mice injected with the disease. However, the WHO experts stressed yesterday that there was no evidence that anyone had ever been infected with CJD through blood transfusions.

The experts confirmed earlier recommendations on medicinal products using bovine products such as gelatin, which are regarded as safe provided the ingredients are properly processed.

Education proves a poor investment

By Roula Khalaf

Despite spending generously on education, Middle East and North African countries have achieved disappointing returns on their investment.

According to papers recently presented by World Bank officials at a Paris conference, the main constraints to successful returns on education in the region include a bias towards preparing students for public-sector jobs, and inadequate access to education for girls.

The region's governments spend about 14.9 per cent of gross domestic product on education, more than other developing countries with comparable income levels. In primary schools, average spending is about $155 per pupil per year, close to the $165 recorded in several high performing Asian economies.

However, the studies say that an extra year of education per person in the region has a 1.5 per cent effect on real GDP, compared to 2 per cent in Latin America and more than 3 per cent in east Asia.

With a growing majority of the population under the age of 30, governments across the region are now placing top priority on education reform.

Despite the achievements of the past 30 years in which literacy rates rose from 20 to 59 per cent, access remains insufficient. The gross enrolment rate for females is 80 per cent for primary education and only 47 per cent for secondary education.

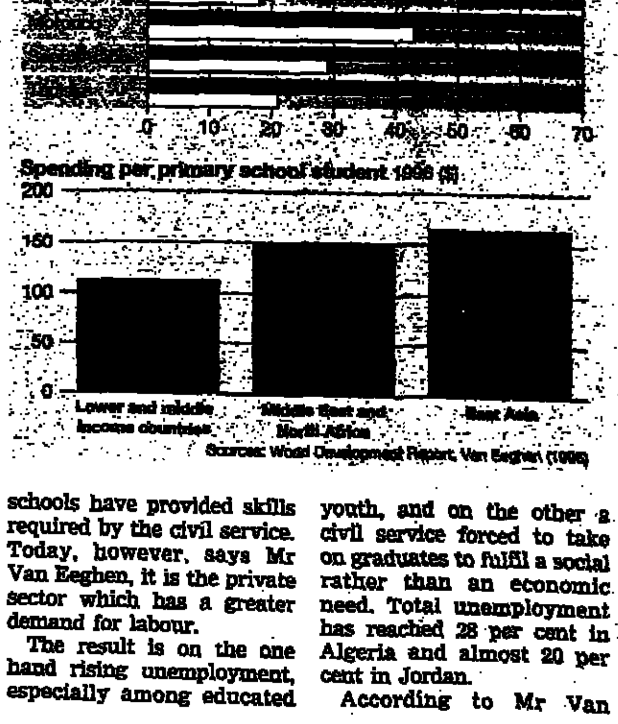
Given present trends, illiterate adults in the region will number about 66m in the year 2000, the same as today, Mr Willem Van Eeghen, the World Bank economist, estimates. But while there will be fewer illiterate men, the number of illiterate women will increase.

Perhaps the greatest challenge governments face is improving the quality of education and tailoring it to suit labour market demands. Throughout the region, education systems churn out increasing numbers of graduates expecting a comfortable public-sector job at a time when the civil service should be shrinking.

Because most graduates traditionally went into the civil service, artificially inflating the demand for higher education, the schools have provided skills required by the civil service. Today, however, says Mr Van Eeghen, it is the private sector which has a greater demand for labour.

The result is on the one hand rising unemployment, especially among educated youth, and on the other a civil service forced to take on graduates to fulfil a social rather than an economic need. Total unemployment has reached 28 per cent in Algeria and almost 20 per cent in Jordan.

Education: a regional priority



According to Mr Van Eeghen, almost 60 per cent of the unemployed in Egypt have secondary or higher education, a situation repeated in other countries in the region. The region has also produced one of the biggest civil services in the world, with a government wage bill estimated at 9.8 per cent of GDP.

"The fact that the best trained and best-paid people ended up in a large public sector where they did not necessarily contribute to economic growth points to distortions in the labour market and a large disconnect between wages and productivity."

As real wages have declined in the region, so has the wage return to education. Mr Van Eeghen estimates the pay premium for an additional year of schooling for those entering the labour force today is only 2 per cent. The premium for workers over 40 was more than 9 per cent.

"Evidently, education is becoming a less attractive investment option. Unfortunately, this is at a time when the Middle East and North Africa's changing economies are requiring more and better skills."

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ERICSSON

FT INTERVIEW: Robert Rubin, Treasury Secretary

Optimist at the US economic helm

Two hours after the US Federal Reserve raised short-term interest rates for the first time in more than two years, Mr Robert Rubin, the US Treasury Secretary is in confident mood. "My instinct is to think the most likely position going forward is pretty much what we've been having: solid growth and low inflation," he says.

How is it that the US has been growing consistently faster than what most economists believe is its underlying potential without inflationary consequences? Mr Rubin believes that over the past decade, US industry has become very much more productive and competitive. This change is the result of a more professional approach to corporate management, an open-minded adoption of new technology, globalisation, and the consequences of corporate restructuring. "The takeover wave of the 1980s created pressure towards leaness [he choses this word carefully], though it also had some negative consequences".

A man whose slightest nuance can have political and market repercussions, he has a habit of searching for words that express his meaning without getting him into trouble. It is not easy for him to claim this, but it seems clear that "leanness" has led to greater insecurity among US workers, and depressed their wage expectations.

Predictably, he also credits government policies in the past four years with having fundamentally improved the operating environment. "If we hadn't brought the deficit down, we would have choked off recovery in the early stages," he claims. Deficit reduction remains the highest priority. Stressing the importance of reaching an agreement this year to balance the budget by 2002, he indicates longer term structural reforms in areas such as Medicare and social security will probably have to wait for conclusion of a balanced budget deal. "It will be difficult to get people to focus on those processes until balanced budget legislation is enacted."

Robert Rubin: chooses his words carefully

For an administration which wants to mark its place in history by reforming social programmes, this must be deeply frustrating. Mr Rubin believes that balanced budget legislation can be put in place this year. "There's such a broad agreement on the view fiscal discipline is central to our economic health." He is committed to a zero deficit, for political as well as economic reasons. "The balanced budget as a goal has a power to it people can coalesce around."

The big trade deficit – January's was the largest for years – is another matter. Here Mr Rubin again picks his words with extreme care, repeating the official mantra: "a strong dollar is in the country's interests. We've had a strong dollar for quite some time now." But he does not suggest that exchange rate management is the answer to the trade deficit, which he explains largely in the context of America's high growth rate relative to the rest of the world, and its low savings rate. America's exposure to the world economy has been transformed in the past couple of decades – "it's not just different, it's a change in kind," says Mr Rubin. He stresses the role of emerging markets, and the continuing importance of trade liberalisation for the US economy. Here, he has a worry: "there is a misunderstanding of globalisation." The downside of the restructuring which has made American business so much more competitive has been a growing hostility to further trade liberalisation. "It's a much more difficult public environment for trade," he says. "Domestically, there is less support for liberalisation than there used to be, and that's a big problem."

The controversy over the financing of the last election – which includes allegations of China using campaign donations to influence US trade policy – cannot be making the arguments any easier to advance. But again the secretary is sanguine, brushing off suggestions that vital issues such as China's accession to the World Trade Organisation could be compromised by the fund raising drama.

However, he is concerned about the way America is "turning inward" on itself. "It's very difficult to convey to the American people the importance to our national interest of the success of the rest of the world." There is not much that the US can contribute to the faltering economies of Europe and Japan. But the developing world is a different matter. Mr Rubin places a surprising degree of emphasis on the importance of supporting the institutions which can bring about reform and economic development. The US has to pay its full share towards the United Nations, the World Bank and the IMF though getting this through Congress will be difficult.

Subject to the detail, he approves of the World Bank's proposed reorganisation – the "Strategic Compact" – which reaches a critical point next week.

The continuing strength of the US economy has given Mr Rubin great power and authority within the administration. He wears this lightly. Softly spoken, and still dressed like the successful Wall Street banker that he used to be, he does not behave like a career politician. For one thing, he rigorously refuses to comment on areas outside his competence. He has been in Washington for over four years, first as chairman of the National Economic Council, and at the Treasury since January 1995. Over that time, the structure and discipline of his personality has tamed the wilder policy ambitions of his impetuous boss, and both talk of each other with great respect. But there may be another side to this careful personality. In his suite of offices, opposite the Alexander Hamilton silverware, hangs a most un-Treasury like painting. Picked to remind him of his "demi-monde" days as a student in London, it shows a heavily made up woman displaying a pack of cards on a green baize cloth.

It is not clear whether she is in the gambling or the forecasting business.

Richard Lambert, Gerard Baker and Patti Waldmeir

Cautious reaction to rise in Fed interest rate

By Richard Waters in New York

American industrialists reacted cautiously yesterday to the first increase in US interest rates in more than two years, while warning that further increases in the coming months could begin to threaten the country's long-running economic expansion.

Among the strongest reactions was that from the National Association of Manufacturers, which called Tuesday's 25 basis point increase "unwarranted". Mr Paul Huard, senior vice president, called the Fed's move "simply wrong" and a "regrettable and serious mistake." The association said it believed US monetary conditions were already relatively tight given the low level of inflation, and any increase in rates, however small, would hamper US industry.

Most companies, though, avoided direct criticism of the Federal Reserve's action, prefering to caution instead about the dangers further increases might have.

Mr Robert Eaton, chairman of Chrysler, said: "I hope he [Mr Greenspan] would be able to leave [rates] right where they are right now or at most raise them another 25 basis points later in the year." If the Fed ends up lifting interest rates by a total of 75 or 100 basis points, the impact would be "very significant," he predicted.

Ford Motor said Tuesday's rise would add only around $7 a month to the cost of financing the average vehicle purchase. Of greater importance would be the impact on consumer psychology, since the increase may begin to dampen the bouyant level of consumer confidence. Any perception among consumers that this week's move would be followed by further rate rises would add to those concerns, Ford said and this year's heady sales level would begin to fall.

While refusing to either criticise or endorse Tuesday's move by the Fed, the company said: "There certainly is an understanding of what they did, and they certainly telegraphed it beforehand."

Most US manufacturers had already built at least one, and possibly two, 25-basis point increases into their business plans for this year, though some had expected the Fed to wait some weeks longer before acting.

Most car companies, for instance, expect sales of new vehicles this year to reach around 15.4m. However, that is well below the fast pace of sales so far this year, which have been running at around 15.8m at an annualised rate, implying an expected slowdown in the coming months.

AMERICAN NEWS DIGEST

Strong rise in US durables

Orders for costly manufactured goods posted a surprisingly strong gain last month, hitting record levels after a robust January, the Commerce Department said yesterday.

New orders for durable goods in February climbed 1.5 per cent to a seasonally-adjusted record $178.3bn – sharply contrary to Wall Street economists' expectations that orders would weaken by 0.4 per cent. The jump underlined the vigorous manufacturing sector's role in a steadily growing economy.

The rise in goods from computers to railway equipment came after a revised surge of 4.1 per cent in January.

Analysts said the strong tempo of factory business, accompanied by rising shipments of finished goods and growing backlogs of unfilled orders, affirmed that the economy was expanding fairly briskly in the first quarter. *Reuter, Washington*

Texaco settlement approved

A federal judge has approved Texaco's record $176.1m settlement of a widely watched racial discrimination suit, the company said yesterday. Under the accord, claimants will receive awards ranging from $60,000 to $80,000.

The case received widespread attention after transcripts of tape recordings submitted as evidence showed executives allegedly discussing the destruction of documents and making racist remarks. The settlement is believed to be the largest ever in a discrimination suit. The class action covers all blacks employed in salaried positions at Texaco or its subsidiaries at any time from March 23, 1991, until November 15, 1996.

US District Judge Charles Bricant said he would rule later on fee applications by the two plaintiffs' firms which are seeking 25 per cent of the cash part of the settlement. The judge said he had received letters from several claimants objecting to the requested fees, which would come to about $29m.

The plan was well received by civil rights groups and by the Rev Jesse Jackson, who responded by calling for an end to a consumer boycott of Texaco he helped initiate.Texaco fired a top executive of an insurance subsidiary and took actions against other current and former employees.

The moves came after the company received a final report from an outside lawyer. *Reuter, New York*

Clinton unveils health body

President Bill Clinton yesterday unveiled a commission to examine complaints about health care changes which have cut companies' medical insurance costs but are also accused of lowering the quality of care.

The establishment of an Advisory Commission on Consumer Rights and Quality in the healthcare industry follows growing complaints from the medical profession and consumers about the effects of moves by US employers to shift a majority of American workers into "managed care" insurance. This controls both the amount and the costs of care available under the private health insurance which covers most Americans and is usually paid for by their employers. The commission's 11 members represent a cross-section of interested parties in the healthcare debate. The White House said their mission was to help ensure that healthcare remained of "high-quality. . . . as we move towards more managed-care arrangements". *Leyla Boulton, Washington*

Scandal threatens Brazil political star

By Geoff Dyer in São Paulo

The political future of Mr Celso Pitta, the mayor of São Paulo, has been put in jeopardy because of an investigation by the Brazilian tax authorities into his personal income statement.

The move comes after leading senators produced evidence linking him to a billion dollar scandal over allegedly fraudulent bond issues made by several states and municipalities.

The scandal also threatens to involve Mr Pitta's mentor and former São Paulo mayor, Mr Paulo Maluf, who had been viewed as the strongest challenger to President Fernando Henrique Cardoso in next year's presidential elections.

The mayor's office confirmed reports that Mr Pitta, a rising political star who only took over Brazil's largest city in January, was the subject of a Federal Revenue Service investigation. At the same time a special Senate inquiry into the bond issues is increasingly focusing on the role played by Mr Pitta.

The Senate inquiry heard claims that the states of Alagoas, Pernambuco and Santa Catarina and the city of São Paulo illegally issued over $1bn of bonds, with the assistance of a network of friendly banks and brokerages which were rewarded with huge commissions. Under the Brazilian constitution, states and municipalities can only issue bonds to cover debts they are legally obliged to pay, after approval from the Senate.

The São Paulo public accounts commission has claimed that over $600m from bonds issued by the city, when Mr Pitta was finance secretary and Mr Maluf the mayor, was not spent on paying down these statutory debts.

The senators also allege the conspiracy was orchestrated by a team of senior São Paulo civil servants in the finance secretary's office. Mr Pitta has sacked four of his former officials and said he was unaware of their activities.

Last week Mr Roberto Requião, head of the Senate inquiry, claimed that Banco Vetor, one of the banks alleged to be involved in the conspiracy, had paid a $2,500 car hire bill for Mr Pitta's wife. Mr Pitta has denied all knowledge of the payment. Senators yesterday produced evidence of phone calls between Mr Pitta's office and Vetor.

The Senate inquiry is now under increasing pressure to call evidence from Mr Pitta. The public affairs ministry of the state of São Paulo has also threatened to bring charges against Mr Pitta once the congressional investigation is over. Mr Maluf is on a month's holiday in Europe and the Middle East.

Maluf: also threatened

Clinton aide sees big threat in climate change

By Leyla Boulton in Washington

The US has yet to "get serious" about climate change and to fight it as a threat of "huge economic significance" to its future well-being, according to Ms Kathleen McGinty, President Bill Clinton's adviser on the environment.

She described recent US storms which killed 50 people and caused at least $1bn worth of property damage as a sign of worse to come. "As we see increasingly severe storms, we begin to get a glimpse of what a post-climate-change world would look like," she said in an interview with the FT.

"It's a world which causes serious injury to agriculture.... to airline operations.... and in which the insurance industry would be seriously harmed."

Her remarks were in response to accusations that the US has so far failed to produce credible action for tackling carbon dioxide emissions from the burning of fossil fuels, associated with climate change.

They also mark the beginning of attempts by the US administration, ahead of international climate change talks in December, to convince Congress and public opinion that global warming is of "of huge economic significance to this country".

"There's nothing but hostility to this on Capitol Hill. They're opposing action," she said.

Pressure from the Clinton administration last summer was instrumental in getting the industrialised world to agree to seek legally binding carbon dioxide emission reductions at negotiations in Kyoto this December.

But some US officials fear that Congress, claiming a danger to the competitiveness of US industry, may block any plan to cut US greenhouse gas emissions after throwing out a proposed carbon tax back in 1992.

The administration itself has sparked fears it may try to wriggle out of credible domestic cuts by advocating a plan for international trading in carbon emissions.

US spells out Iraq terms

By Leyla Boulton in Washington

Ms Madeleine Albright, the newly-appointed US secretary of state, yesterday spelled out for the first time tough US conditions for agreeing to lift economic sanctions against Iraq if and when it got rid of Saddam Hussein as its leader.

She reaffirmed the US rejection of calls by its allies for sanctions to be lifted if Iraq complied with international demands that it end the production of weapons of mass destruction and destroy any stockpiles of them. She said Mr Saddam would also have to prove his intentions were peaceful, but made clear she never expected him to be able to do so.

However, "a change in Iraq's government" could lead to a change in US policy, she said. In a post-Saddam world, the US would be ready to start a dialogue with a successor regime, with two main goals in mind. First, to establish that "the new Iraq" would be "independent, unified, and free from external influence - for example from Iran".

"Second, we would require improvements in behaviour". These she listed as co-operation with the United Nations Special Commission in Iraq and compliance with UN resolutions, respect for human rights, and "military ambitions limited to those of reasonable defence".

Her demands could be viewed as a possible attempt to encourage elements within the Iraqi regime to overthrow Mr Saddam by showing his successors a clear route for ending the sanctions.

She also repeated warnings that the US would not let the "experiment" of allowing Iraq to sell some oil in order to buy food be repeated unless Baghdad complied with the conditions. These require the food to be distributed under UN supervision.

NEWS: ASIA-PACIFIC

Malaysia takes a calculated gamble

By James Kynge in Kuala Lumpur

At first glance it may look like a fit of pique between two neighbours whose relationship has grow increasingly irritable.

However, there are signs that Malaysia's suspension yesterday of fresh commercial and bilateral dealings with Singapore is a good deal more calculated than it appears. Observers in Singapore and Malaysia said the initiative has been carefully planned and is aimed at achieving specific economic and political concessions.

Kuala Lumpur hopes to force Singapore's hand on at least three important economic projects.

Malaysia has been pressing Singapore to agree to its plan for a bridge to replace the 74-year-old causeway which forms the only terrestrial link between the two countries. But Singapore has yet to signal its approval. The demolition of the causeway, Malaysia believes, will allow ships which currently use Singapore's port to find an easier passage to Port Klang, Malaysia's leading port.

Malaysia also wants Singapore to approve another bridge, a so-called "third link" from the eastern side of Singapore island to an area near Pasir Gudang, a Malaysian port which is showing strong growth. This could increase the number of Singapore cargoes to be handled by the Malaysian port, where transshipment costs are cheaper.

A third major project is the proposed fast-train link between Kuala Lumpur and Singapore. At the moment trains travel at glacial pace between the two countries, waiting in sidings for hours for no apparent reason. Some in Singapore fear, however, that a fast rail link would induce Singaporean shoppers to desert their ailing local markets for cheaper goods in Malaysia.

Accelerating the completion of these three projects was cited this week by Mr Goh Chok Tong, Singapore's prime minister, as a way to repair relations. He recommended that the projects be pushed forward "quite earnestly".

"The new bilateral terrain has more to do with economic rather than political imperatives," said the Business Times, a respected Singaporean newspaper with ties to the government, in an editorial this week.

It is also clear Malaysia's wants Singapore to show more contrition for recent remarks made by Mr Lee Kuan Yew, the city-state's senior minister. In spite of Mr Lee's unreserved apology for saying a southern Malaysian state was "notorious for shootings, muggings and car-jackings", other members of the city-state's government have been less gracious.

Mr Goh has described the continued protests of Malaysians over the remarks as "noise" and called abruptly for the relationship to "move on". Mr Lee Hsien Loong, the deputy prime minister and son of the senior minister, who was a co-signatory on the affidavit in which his father made his remarks, has declined to apologise. He has said merely that he joins in the senior minister's "explanation".

Observers said if Singapore was seen to give ground relatively quickly, then bilateral ties might recover before any lasting damage was inflicted.

Malaysia also appears to have constructed ambiguities which would allow it to retreat gracefully from its robust stand. The announcement was released selectively by officials who were careful to remain anonymous at a time when Dr Mahathir Mohamad, the prime minister, was overseas drumming up foreign investment.

Property time bomb ticks in Hong Kong

Shortage of housing – and its high price – are causing growing concern, writes John Ridding

On the morning of Hong Kong's budget this month, police detonated a suspicious package which had been left near the legislature. Bombs are as rare as silence in the territory and the box was empty.

The package was not without a message, however. "Down with Tung Chee-hwa [Hong Kong's future leader] and Dominic Wong [the housing secretary], who did not show concern to the surging price of housing units," read a note.

There are few other cities where bomb scares are motivated by apartment prices. But nowhere else does property evoke such passion. In land-scarce Hong Kong, the sector provides a barometer of public concerns and confidence, and it is sending distinctly mixed signals.

The reassuring message concerns business confidence. After bidding a record HK$11.82bn (US$7.7bn) at a government land auction on Tuesday, Mr Robert Ng, chairman of Sino Land, was asked whether he was confident in the territory's future under China. "You ask me after we pitch HK$11bn?" he replied. "Are you crazy?"

Dr Lo Ka-shui, head of Great Eagle, estimates that his own group and a dozen other big developers plan to invest more than HK$600bn by 2000. These property magnates brush aside fears about the handover. Any upheavals would be seized as buying opportunities.

Confidence is also clear in the terms of transactions. Rents and capital values have slowed their ascent since last year, when residential prices soared more than 25 per cent and office prices regained lost ground from the 1994-95 slump. But office space, at an average of about HK$66 ($8.50) per square foot, is still among the world's most expensive, and the housing sector remains robust. "We could be looking at another annual increase of more than 20 per cent," says Mr David Faulkner, partner at consultants Brooke Hillier Parker.

However, while price trends and construction activity have left far behind the doomsday predictions of the 1980s in which pre-handover Hong Kong would become a ghost town, there is a dark side to the market that is causing increasing concern in the present and future administrations.

Speculation has reared its head. Rights to buy flats in a luxury project on the Kowloon peninsula changed hands last month for as much as HK$2m. And even if the government is right that speculation is being limited by counter-measures and voluntary steps by developers, it still faces a mismatch between supply and demand.

Middle-class couples express frustration that monthly salaries of HK$50,000 are not enough to secure a step on the housing ladder, while high property prices fuel inflation and undermine the territory's competitiveness. Ms Christine Loh, an independent legislator, claims that the government restricts land supply deliberately to maximise revenues. A report by Salomon Brothers speaks bluntly of Hong Kong's housing crisis and warns of the impact of demographics increasing arrivals from across the border.

Mr Tung is aware of the stakes, citing housing and property prices as his top priority. "I greatly worry about our cost structure, competitiveness and therefore long-term viability," he said. Last week he appointed a taskforce to address the problem of housing, which he sees as the main worry for Hong Kong's population.

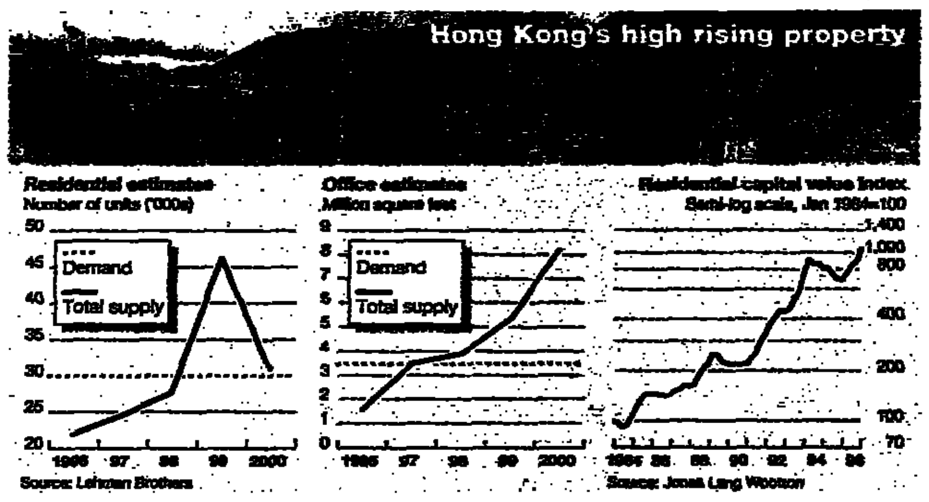
The present government is already wrestling with the problem. Mr Donald Tsang, financial secretary, said in his budget that 590 hectares of land would be supplied for housing over the next five years, a 46 per cent increase. Mr Wong at the housing department has just announced an extension from 12 to 15 months on the pre-sale period for apartments (when they can be sold before completion). This, he said, would bring 5,000 flats to market earlier.

Dr Lo at Great Eagle welcomes the prospect of increased land. "They understand that this has to be tackled by supply, and that is important," he says. But others doubt increased land is the answer. "The big developers all have huge land banks, so that is not the core of the problem," says one analyst. "The real issue is getting apartments built." The territory's chamber of commerce argues that the red tape involved in planning and construction means that the process of building new flats, from site identification to completion, takes between 11 and 14 years.

Amid the increasingly heated debate, however, few see any quick solution. "Tuesday's auction suggests the developers don't believe the market can be cooled anytime soon," said one consultant. "Mr Tung is right to be worried, but if there was an obvious solution it would already have been implemented, so he needs to avoid raising expectations."

Last week's bomb may have been false. But, in his view, housing and property need careful handling.

● The Hong Kong Association of Banks said it is raising maximum interest rates on retail deposits by 0.25 percentage points to 4.0 per cent, in reaction to US interest rate moves.



ASIA-PACIFIC NEWS DIGEST

Gore puts gloss on China talks

US Vice-President Al Gore yesterday sought to put the best face on meetings with Chinese leaders, saying his talks in Beijing were aimed at setting the stage for a presidential summit later this year. "Our discussions were productive, friendly, searching and above all wide-ranging," Mr Gore said of his meeting with Mr Jiang Zemin, China's president.

Mr Gore, the most senior US official to visit China since the 1989 Tiananmen Square massacre, clearly wanted to signal Washington's desire for improved ties and Chinese leaders appeared receptive. The vice-president deflected questions about alleged Chinese contributions to the Democratic presidential election campaign, saying it was premature to speculate while an FBI investigation was in progress. *Tony Walker, Beijing*

Japan investment rate slows

Leading Japanese companies are planning to increase capital investments in the forthcoming business year, but the rate of investment growth will be significantly slower, according to a widely watched survey compiled by the Long-Term Credit Bank of Japan.

LTCB said yesterday that capital outlays planned by 1,507 companies for the business year starting April 1 would increase for the third consecutive year by 1.3 per cent to Y21,263bn ($173.6bn). The rate of growth, however, will drop from the current year ending March 31. Among those curbing capital investment are construction and real estate companies, which have been hard hit by the property slump. *Gwen Robinson, Tokyo*

■ The former most senior official in Japan's health ministry yesterday admitted accepting Y60m of bribes, the latest in a series of public figures to be involved in corruption. Mr Nobuharu Okamitsu, vice health and welfare minister until his arrest last year, admitted accepting the cash from a nursing home developer in return for ensuring that the company received state subsidies. *William Dawkins, Tokyo*

Australian plans new party

Ms Pauline Hanson, the independent federal MP whose vociferous anti-immigration stance caused problems between Australia and a number of Asian countries last year, is to form her own political party.

Ms Hanson, a former Liberal party member, who won the Queensland seat of Oxley as an independent with a massive swing in last year's federal election, said she envisaged having candidates running for both houses of parliament and in all states by 1999.

Ms Hanson, a former fish-and-chip shop owner, warned that Australia was in danger of being "swamped" by Asians and lambasted government expenditure on Aboriginal welfare. *Nikki Tait, Sydney*

Vietnam curbs press

Vietnam yesterday moved to muzzle press reporting of its troubled banking sector by issuing rules listing "banking secrets" deemed off limits to the media.

The move is an unusual reinforcement of media censorship and underscores official alarm over recent reports in local and foreign media about the unhealthy state of Vietnam's banks. The decision comes a week before the country's parliament is due to pass a landmark banking law. *Jeremy Grant, Hanoi*

Pakistan president demands Kashmiri self-determination

By Farhan Bokhari in Islamabad

Mr Farooq Leghari, the Pakistani president, yesterday called on India to grant the right of self-determination to Kashmir in a speech ahead of bilateral peace talks which resume in New Delhi tomorrow after a three-year break.

In his annual speech before a joint session of the upper and lower houses of parliament, Mr Leghari urged India to "adopt the path of realism and demonstrate a willingness to implement its commitment to the UN and the international community to give Kashmiris their fundamental right to self-determination".

Indian officials have sought to damp down expectations from the talks, suggesting their chief goal is to prepare the ground for discussions between the two sides' foreign ministers at the non-aligned summit in New Delhi on April 7-8.

"It's a more or less open agenda," said one official. "They're going to discuss everything – though of course we're well aware of what Pakistan is most concerned to discuss."

Mr Nawaz Sharif, Pakistan's prime minister, and Mr H.D. Deve Gowda, the Indian prime minister, are expected to hold bilateral talks during the annual summit of the South Asian Association for Regional Co-operation in the Maldives in May.

An Indian opinion poll in the weekly Outlook magazine suggested popular support for improved ties with Pakistan, with 84 per cent of respondents welcoming the talks and 80 per cent saying the two countries should "make a new beginning".

A majority of the 1,224 people polled also said the talks should continue, even if Pakistan insisted on talking only about Kashmir.

However, 72 per cent said India should not make any adjustments to the border.

In his speech, Mr Leghari said peaceful conditions in the region would enable both countries to divert larger resources to improving economic conditions.

Western diplomats said Mr Leghari's remarks were a careful response to fears that resumption of talks would lead to a "sell-out" over Kashmir by Pakistan.

Islamabad has demanded the right of self-determination for the people of Kashmir, allowing them a plebiscite under the UN's auspices to decide if they want to remain within India or join Moslem-majority Pakistan.

The offer to resume talks with India from Mr Sharif has been received with scepticism among Kashmiri nationalists.

Preparing for talks: Pakistan's Sharif, and India's Gowda

PNG prime minister resigns

By Nikki Tait in Sydney

The political crisis in Papua New Guinea yesterday claimed the job of Sir Julius Chan, the prime minister, who told parliament he was stepping down following the Bougainville mercenaries affair.

Sir Julius' decision comes after a week of civil unrest. It was greeted by cheers from a 2,000-strong crowd camped outside parliament house in Port Moresby.

Sir Julius said Mr Chris Haiveta, finance minister, and Mr Mathias Ijape, defence minister, would also be resigning. The PNG cabinet is expected to appoint a caretaker prime minister soon. National elections, originally due in mid-year, are likely to be brought forward.

The resignations end a nervous time for PNG resource stocks. Shares in companies such as BHP, Australia's biggest, Lihir Gold and Orogen were largely unmoved on the news. Most mining operations have continued unaffected, although BHP has removed its staff from Port Moresby.

The crisis began 11 days ago, when Brigadier-General Jerry Singirok, then head of the defence forces, announced the army had lost confidence in the government following its decision to call in the UK-based "military consultants" Sandline International to quash secessionist rebels on the island of Bougainville.

The mercenaries subsequently left the country, and Sir Julius promised an inquiry into their A$46m (US$36.2m) contract with his government. But anger over the size of the sum continued. The emotionally charged atmosphere was heightened by the contrast between PNG's financial problems and the sums the government was willing to expend on the Sandline initiative.

Resentment over the relative affluence enjoyed by some politicians resurfaced, with Sir Julius' private wealth becoming a bone of contention.

Meanwhile, Gen Singirok, though dismissed as army head, retained support among the troops and repeated calls for the prime minister to resign.

On Tuesday Sir Julius survived a parliamentary motion calling for his resignation, but street protests trapped some MPs in parliament house overnight; plans were being made to resubmit the motion.

Sir Julius, 57, is a veteran of PNG's political scene, having served as finance minister in the country's first government after independence in 1975. He was prime minister in the early 1980s, resuming that role in 1994 after the re-election of Mr Paias Wingti, his predecessor, was declared invalid.

At the beginning of his latest term, Sir Julius tried to achieve a negotiated outcome to the guerrilla war waged on Bougainville since the late 1980s, but met little success. A subsequent stepped-up military initiative, using only PNG troops, proved a disaster.

Meanwhile, PNG's financial problems mounted, and in 1995 it was forced to accept an emergency loan from the International Monetary Fund and subsequently agree a "structural adjustment package" with the World Bank.

FINANCIAL TIMES SURVEY Thursday March 27 1997

BRIGHTON and HOVE

The imminent merging of the two boroughs, a lively café society and a vibrant new media industry are transforming the old pier and boarding-house image, reports **Richard Adams**

Economic goals unite twin towns

Forget the images of piers and seaside boarding houses: Brighton and Hove are undergoing huge changes that will transform the body and soul of the twin towns.

One such change takes place in just four days' time, when the boroughs of Brighton and Hove merge on April 1 to form a single town. At the same time, the new region will become a unitary authority, when it takes over the functions of the county council within its area.

The change in local government follows a shift in the local political climate. What used to be a solid Conservative-voting region, especially affluent Hove, has shifted allegiances. The unitary authority taking over next month will have a Labour majority, and the Conservative stranglehold on the three local parliamentary seats in May's general election may also be under threat.

But the deepest change is that Brighton and Hove has begun to throw off its reputation for being "London-by-the-Sea". The 1990s have seen it develop a distinct identity while making the most of its strengths, including the region's easy access to London.

While Brighton's tourism, conference and retailing sectors remain robust, the two towns have developed what one resident calls "a truly café society", thanks to a happy combination of tourists, two universities with a 20,000-strong student population, and a vast array of restaurants and bars.

Mr Michael Petrie, chief executive of the Brighton and Hove Economic Development Company, says the town has a unique combination of vibrant cultural life and good location. "The feedback I get from companies is that there is a real fizz here," he says.

The two boroughs have also been successful in winning investment funds through the central government Single Regeneration Budget, a competitive fund open to bids by local authorities. Last December it was awarded a further £17.5m for revitalising ailing industrial estates, promoting an "academic corridor" of high technology research, and developing a range of training projects and business support.

Initiatives of this sort and the area's quality of life have attracted a new generation of artists, and designers skilled in new media applications, such as Mr Richard Wolfströme and Mr Jonathan Hirsh.

Mr Wolfströme and Mr Hirsh are directors of The Art of Invention, a three-person, multimedia design and production company in Brighton. Together with a third director, Mr Nigel Kent, the company has produced award-winning CD-Rom computer compact discs for a client list that includes the Foreign and Commonwealth Office.

The Art of Invention is one of 20 innovative modern media companies based at the Brighton Media Centre.

Local leaders and businesses are optimistic that the talents of people such as Mr Wolfströme and Mr Hirsh in multimedia and information technology can be the platform for a new industry to boost the region's economy.

The Brighton Media Centre has attracted more than £1m of joint funding, and includes Cybar, an internet café, and training and production facilities.

Mr Ian Elwick, who was behind the formation of the centre, says it has become a focus for the region's new media activity.

"Four years ago people said there was no media industry here. We knew there was one, but it was in bedrooms and garages, and included people who lived in the area but worked in London," he says.

With local unemployment higher than the national average at more than 12 per cent, and with a manufacturing base that has been steadily eroded since the second world war, the region needs to develop new industries such as these.


An artist's impression of the £90m Churchill Square redevelopment in the centre of Brighton. By the end of 1998 it will provide 333,000 sq ft of covered retail space *Illustration: Hayes Davidson*

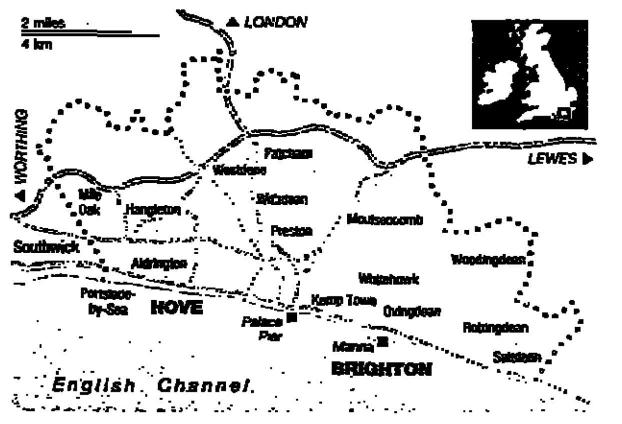
And, compared with some rival locations, Brighton and Hove are well placed to capitalise on the development of multimedia industries.

Brighton University has a nationally-recognised art and graphics design department, which provides a stream of qualified graduates, while Sussex University has strengths in sciences, computing and arts. And the two towns have been among the first beneficiaries of large-scale private investment in telecommunications.

Nynex, the US telecoms company, is spending £2.2bn on 16 cable franchises areas within the UK, including more than £100m in Brighton.

The aim is to construct a fibre-based, broadband network able to connect "effectively every home in Brighton and Hove", according to Mr Jack McHale, executive director of business markets at Nynex.

Nynex's investment is bringing jobs to the town, but just as importantly is putting the area alongside the most advanced cities in the UK for new media, including interactive television and high-speed information communications such as integrated services digital network (ISDN).



This month saw the launch of the "MediaLan 2000" trial, a Brighton and Hove-based project that Nynex says will link telecommunications, computer software and multimedia production in a local area network (or Lan).

The MediaLan trial is supported by Sussex Enterprise, the chamber of commerce and training and enterprise council for East and West Sussex, and by funding from the Single Regeneration Budget. The trial is designed to develop the content for future interactive services for businesses, schools and residents.

"This trial is not about the technology itself, but the social, cultural and economic issues raised in its deployment," says Mr Johnny Shipp, the MediaLan project manager.

The project also has the local authority's support. Mr David Lepper, chairman of the Brighton Borough Council's economic development committee, says: "It's an important first step that all public buildings are linked, and there are access points across the town."

The development of the Sussex Innovation Centre has helped support the fledgling new media industry. The centre, based on the campus of Sussex University, opened in May last year and provides space for high technology and research-based enterprises.

The hope is that the synergy between the academic and business research interests will develop into commercial success, both for the centre and the region.

The excitement surrounding the new media industry should not detract from Brighton and Hove's successes in conferences, tourism and shopping, which continue to attract millions of visitors every year.

In the centre of Brighton, the £90m redevelopment of the Churchill Square shopping centre is well under way.

By the end of 1998 it will provide 333,000 sq ft of covered retail space, while the areas around the Brighton railway station and the "Ocean Boulevard" leading down to the shore will also receive support.

Brighton and Hove are the fifth most popular destination for overseas and UK visitors, attracting a total of 5m visitors each year. The Royal Pavilion, the recently-renovated seaside residence built for George VI, is viewed by more than 400,000 people annually.

But Brighton's most famous attraction remains the Palace Pier, which gets 3.5m visits, making it the UK's fourth most-visited site overall.

URBAN DEVELOPMENT • by William Lewis

Joint efforts solve problems

There are several examples of the public and private sectors uniting to tackle difficulties

Two minutes walk from Brighton railway station is the new headquarters of the Occupational Pensions Regulatory Authority, the watchdog of occupational pension schemes. Housed in Trafalgar Place, Opra is just the sort of organisation that Brighton and Hove wants to attract.

Mr John Hayes, Opra's chairman, lives in London and commutes to Brighton several days each week, making him a good advert for the quality and reliability of transportation to and from the capital.

Opra officially opens for business on April 7, when the 1995 Pensions Act comes into force, and is likely to want to take on local staff with experience in financial services. Other tenants of Trafalgar Place include Lloyds-TSB, Eagle Star, Royal Mail and Mott MacDonald, the consulting engineer.

Outside Trafalgar Place, however, is an advert for something rather different. The unusually large number of individuals begging for money illustrates the extent of Brighton and Hove's economic and social problems.

The unemployment rate is 12 per cent – or about 14,000 – almost double the national average. And almost two-thirds of these people have been out of work for more than six months – the worst record in the UK. Youth unemployment is also a big problem, with nearly a quarter of unemployed residents under the age of 25.

Over the past year, there have been several significant losses of high profile employers. For example, as many as 70 job losses were announced when Vokins, the department store, decided to withdraw from high street retailing.

Only 6 per cent of Brighton and Hove residents work in manufacturing industry, compared with a national average of 18 per cent. More than 35 per cent work in the public sector, including care homes, and almost 22 per cent work in hotels, catering and retail.

Property is also a problem. Council officials describe as "conservative" estimates suggesting that more than 500 high-tech jobs are at risk because companies cannot find suitable accommodation. Council officials also say that most industrial estates are densely developed, and that they have poor access, as well as parking and servicing difficulties.

"The general environment of the estates is unattractive and not conducive to business or employee security," Brighton and Hove council says.

Nevertheless, there are several positive signs of the public and private sectors coming together in an attempt to help tackle Brighton and Hove's urban renewal problems.

For example, the Brighton and Hove Economic Development Company, a public sector-private sector organisation, is behind attempts to revitalise the route from the station to the sea known as Ocean Boulevard.

Mr Michael Petrie, chief executive of BHEDCo, says that the project is typical of the work being done in Brighton and Hove through private and public partnership.

Several offices on the Ocean Boulevard route have been vacated by companies, giving visitors "a pretty unpalatable impression when they first arrive at the station," Mr Petrie says. The first phase of the project is focusing on revitalising the area just outside the station, and the funding is being provided through a combination of government money – via the Single Regeneration Budget – and private sector money.

BHEDCo was founded in 1993 when Brighton and Hove was beginning to feel the effects of company office closures. Mr Petrie says there were "severe knock-on effects" from the departures of several financial services groups from the area, but "private businesses came together to do something about the situation and forged links with the public sector".

He counts Opra's arrival as a success for BHEDCo, having "courted" the regulator for several months. Another recent success was attracting Alamo Rent A Car to Brighton where it is setting up its UK and European rental reservation and customer communication centre.

American Express has also chosen to consolidate a number of its European operations in Brighton.

The advent of the Brighton and Hove unitary authority will, Mr Petrie says, enhance the private-public partnership.

With most of the funding for urban renewal projects coming from Single Regeneration Budget and National Lottery funding, BHEDCo, councillors and other agencies have proved adept at working the system to the advantage of Brighton and Hove.

"Part of the secret of our success to date has been the partnership between the local authorities and the private sector. With the advent of a unitary authority for Brighton and Hove, for which BHEDCo lobbied strongly, we are confident that the partnership approach will continue to flourish," he says.

In December, it was announced that the third Single Regeneration Budget Challenge bid submitted by the Brighton and Hove shadow unitary authority, on behalf of the Brighton and Hove Regeneration Partnership, had secured £17.5m for regeneration initiatives.

This was the largest award in the south east region made in the SRB round, and the funding will be used to improve industrial estates, restore the Old Market in Brunswick, and for several other projects.

Elsewhere, one of the area's main industrial estates, Hollinbury, recently received a boost when Sussex Police announced that it had bought 96,000 sq ft of operational and office accommodation.

There is also substantial investment going ahead along the Brighton sea front, where a landscaping project and business grants scheme is helping to revitalise the area.

"There is much to be done," Mr Petrie says, "but put together, all these projects can only help improve perceptions."

II BRIGHTON AND HOVE

TOURISM IN SUSSEX • by Graham Bowley

Coastal resort towns foster alternative industries

The decline of seaside holidays has forced some resorts to nurture new businesses

Tourism continues to play an important role in the Sussex economy despite the decline of the traditional seaside holiday which has forced many formerly popular coastal resort towns – such as Hastings, Eastbourne and Brighton – to reinvent themselves and foster new industries.

"The seaside holidays of 30 years ago have gone, leaving the south-east coast of the UK with tired seaside resorts," says Mr Clive Coker, head of economic development at Sussex Enterprise, comprising Sussex's Chamber of Commerce and Training and Enterprise Council.

"Their best route out has been to turn themselves into something other than simply holiday destinations."

Nevertheless, many coastal towns are still heavily dependent on tourism, and here, as well as in areas further inland, the emphasis is on nurturing a healthy industry while at the same time cultivating new businesses.

"Tourism is a major employer within the area, and should stay that way. It is especially important because we do not have a large industrial base in Sussex," says Mr Norman Baker, chair of economic development at East Sussex County Council.

The evidence is that this is being achieved. A recent survey of the Sussex economy, sponsored by Sussex Enterprise, showed that tourism and leisure, along with the retail industry, were the areas in which companies were most optimistic about growth.

Overall, it found that 80 per cent of all companies wanted to expand over the next year, and one fifth of businesses said they wanted to grow rapidly.

"Tourism is not something Sussex can ignore. It is a growth area and it needs to be built on," says Ms Bridget Rosewell, of Business Strategies, a London-based regional economics consultancy.

In its favour, Sussex has a number of large tourist attractions to complement its several seaside resorts. Lewes, the administrative centre of East Sussex, is promoting itself as a site of historical interest.

It was the site of the Battle in 1264 when Simon de Montfort defeated Henry III. It also has links with Thomas Paine, the American political pamphleteer. The surrounding areas have strong links with the Bloomsbury Group. Glyndebourne is one of the country's top venues for opera.

Surprisingly, Gatwick Airport has become a tourist attraction in its own right. In addition to catering for more than 22.5m travellers that pass through the airport each year – which support an estimated 24,000 jobs at the airport – Gatwick's shops and sights also attract 50,000 visitors a year who do not fly out but simply go to enjoy the facilities, estimates Mr Coker.

One problem with the jobs that tourism has created, however, is that they tend to be low paid and part-time. This is another reason, argues Mark Froud, director of economic research of Sussex Enterprise, why alternative industries must be supported. "Tourism is still an important part of the economy and it will play an increasingly important part," he says.

"But it is still only one of a number of industries which the area must support." He points to advanced engineering and pharmaceuticals as examples of other growing industries.

Another problem facing Sussex, according to Mr Coker, is that while the area has many small tourist attractions it does not offer any single large modern attraction which would act as a magnet, particularly to visitors from overseas.

In this respect, criticism has been aimed at the area's planning authorities, which, the critics say, have discouraged development of large tourist attractions such as amusement parks.

"Many areas of Sussex are beautiful places to live. But there is little new development and the people that live there – often commuters who work outside the area – want to keep it that way, to the detriment of people who want to live and work locally," says one critic.

But Sussex's biggest attraction, according to Mr Baker, is its natural landscape. For this reason, the Sussex countryside must be protected from destructive development, particularly new roads, he says.

"The last thing we want here are destructive road schemes. Some believe these bring people into the area, whereas in fact they take people out of the area," he says.

According to Mr Baker, tourism in Sussex is best supported by encouraging links with countries in continental Europe, especially the Netherlands and France.

"Cross-channel links are vital, which is why the government's stance of attacking Europe is very frustrating," he says. "The European market offers perhaps the greatest potential for us and we want a positive European policy from the government, not a destructive one."

One comforting finding from the Sussex Enterprise survey, according to Mr Froud, was that while during previous economic upswings, Crawley, Gatwick Airport and the areas surrounding the airport, all in the north of West Sussex, dominated, in the present recovery growth is more widespread – with companies in Brighton the most optimistic.

In fact Brighton is one of the traditional holiday resorts which has been most successful in combining tourism and new industries.

The town, once patronised by the Prince Regent who in 1782 ordered the building of perhaps Sussex's most famous tourist attraction – the Royal Pavilion – has been transformed into a financial centre, as well as a centre for multimedia and for the creative arts.

To the east of Brighton, Hastings, whose Old Town of winding streets of shops and restaurants remains perhaps its greatest tourist attraction, has successfully begun to attract investment after a period of painfully high unemployment.

Earlier this year, hundreds of jobs were created when a Japanese company set up a direct insurance sales company in the town.

Further west, in Eastbourne, new investment has been secured for residential development around the harbour, while Newhaven has attracted significant amounts of official money for the development of its ferry port.

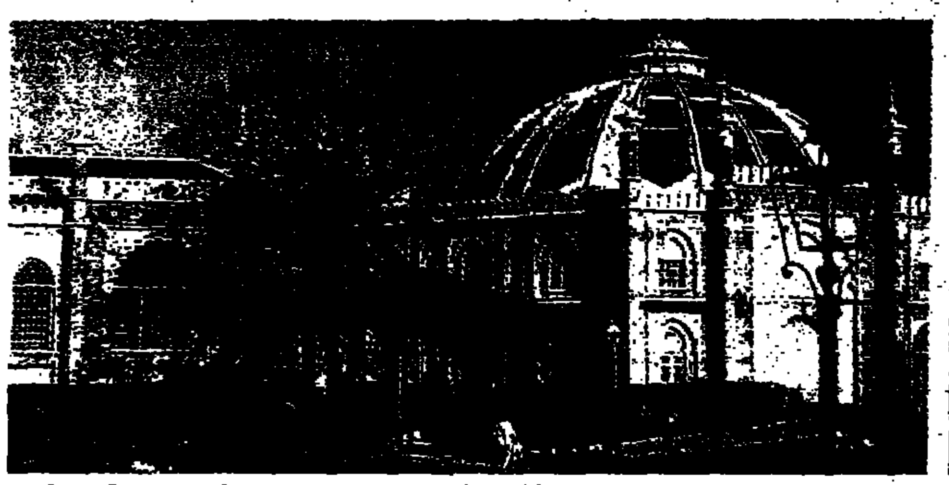
ART AND CULTURE • by Abby Hewitson

From buskers to divas

Urban lifestyle combines with the seaside atmosphere in an attractive blend

Nederlands Dans Theater 2 feature in the 1997 festival — Chris Nash

Barron: 'marvellous memories'



The Dome Concert Hall is part of the historic complex which forms Brighton's cultural centre

The festival: £1.5m turnover

Brighton and Hove may be an attractive seaside resort for sun, sea, and fish and chips, but its cultural roots run much deeper than its surroundings suggest.

The two boroughs of Brighton and Hove, soon to be merged in one local authority, have a cultural diversity comparable to larger cities such as London or Manchester. The difference in Brighton and Hove is that an urban lifestyle is coupled with a warm seaside atmosphere, creating an attractive blend.

Because of this, Brighton and Hove attracts an eclectic crowd. A short walk along its seafront reveals all types of residents – from buskers to businessmen, senior citizens to students – of many nationalities.

The cultural scene matches the diversity of the town's population, offering something for everyone. It has a range of artistic institutions, with more than 30 venues to choose from, offering a broad spectrum of music, comedy, cinema, dance and drama, from local and international artists.

Brighton's cultural centre is the historic Dome and Museum Complex, a sequence of Grade 1 listed buildings on the estate of the famous Royal Pavilion. It comprises the Dome Concert Hall, the Corn Exchange – an exhibition and theatre space – the Pavilion Theatre, and a museum and art gallery. It is undergoing a £37m upgrade by Brighton Festival, in partnership with Brighton and Hove council, to bring it up to international arts centre standards.

The project was fuelled by a government single regeneration budget challenge fund award of £5.2m in December 1995, and £412,500 from the National Lottery in May 1996. There has been considerable sponsorship from businesses, ranging from local greengrocers and bookshops to the Royal Mail and Nynex, the US telecommunications company. This sponsorship, with fundraising from events such as the Brighton Festival, has been integral to the success of the scheme, as government support is dwindling.

Once completed, the Dome and museum complex will not only be a tourist attraction and an arts centre, but also a boost for local employment and an educational facility.

The 1997 Brighton Festival is particularly geared towards the regeneration scheme, and it is hoped it will significantly increase the amount of performing and visual arts in the area. Although the festival turnover is about £1.5m, it is non-profit making and relies heavily on fundraising and sponsorship.

This year's festival, in the first three weeks of May, is celebrating the anniversaries of Schubert and Brahms, but its programme remains varied. This year is the 31st running of the festival. Since 1993 it has sold more than 150,000 tickets each year.

This year there will be international theatre from New Zealand, Israel, and France, as well as national and local UK productions. The opera on offer ranges from the UK premier of *Danton's Death* by Gottfried von Einem, to *The Sorcerer's Daughter* by Lorenzo Ferrero, a comic opera for children.

Dance will be another major theme. The festival has co-commissioned a ballet for the world famous Rambert Dance Company, which receives its world premiere at the Theatre Royal on May 7. There will also be dance workshops for the public.

The festival hosts a joint poetry reading by Seamus Heaney, winner of the Nobel Prize for literature, and Ted Hughes, the Poet Laureate. Debates, exhibitions and talks by leading directors will be joined by the debut of an Edinburgh-style fringe festival of comedy and music, and a section for up-and-coming local artists.

Christopher Barron, the festival's director and chief executive, is intent on it being contemporary as well as mainstream. "We have to be exciting, to create marvellous memories. We can't just sit around and talk about it," he says.

The festival's diversity is mirrored by Brighton and Hove's 400 restaurants and cafes and there is a large range of price and originality. In Brighton's town centre, The Lanes' narrow cobbled streets offer an excellent café culture, with al fresco possibilities in the summer and interesting "people-watching".

There is also, of course, the ultimate addition to every fashionable town – Internet cafes and bars, with their futuristic decor, funky music and the ability for customers to surf the Net from their tables. Places such as the Cybar in Middle Street fit perfectly into the Brighton scene, which is probably unique in having two hairdressers connected on-line to the Internet.

In terms of clubs and discos, Brighton's finger is right on the pulse. With a range of music, there is a wide choice for every night of the week. Brighton's most famous nightclub, The Zap, is on the seafront, so people leaving the club in the early hours are not faced with dark city streets, but the Palace Pier and the sea.

Although the club scene in Brighton and Hove is said to be as fresh and innovative as that of Manchester or London, its problem is that it lacks the large venues found in those cities. Most of Brighton's clubs are small and often cramped, usually with a capacity for fewer than 300 people. The atmosphere is not lacking as a result, however. The crowds are usually friendly and there seems to be no friction between the locals and the large student body.

"People are not going to the clubs here to be seen, as they do in Manchester – but to appreciate the music and meet other people – which is the way it should be," said Sarah Ogden, a Mancunian studying at Sussex University.

The 1997 Brighton festival will try to combine Brighton's popular clubs and local multimedia expertise in what it claims to be the "world's first global clubbing experience". There are plans to link live performances at a venue at Sussex University to clubs in London, Nottingham and Glasgow, using a high-speed network.

Brighton and Hove's varied arts community is helped by its mix of different nationalities. Brighton's piers and beach serve as important attractions, making it the fifth most popular UK destination for overseas visitors. But not all of the foreigners in Brighton and Hove are simply visiting. Many are there on a semi-permanent basis, either as students or employees.

An Australian chef, who is travelling around the world, says: "I came to Brighton after visiting Africa and only intended to stay for a couple of weeks – that was eight months ago!"

IT accord will scrap tariffs by year 2000

By Frances Williams in Geneva

Nearly 40 countries representing more than 92 per cent of the $600bn-a-year trade in information technology products yesterday agreed to put into effect a deal that will scrap virtually all tariffs in the sector by the year 2000.

The Information Technology Agreement (ITA), coupled with the accord concluded last month on liberalising telecoms services, is expected to galvanise further growth of the "information society" by slashing the costs of equipment, software and telephone calls.

The main outlines of the ITA were thrashed out between the US and the European Union during the WTO ministerial meeting in Singapore in December, when 28 countries accounting for 84 per cent of world IT trade indicated their intention to join.

A number of details were left to be settled in Geneva, with implementation made contingent on trade coverage of at least 90 per cent. The threshold was finally reached at the end of last month when Malaysia and Thailand agreed to take part.

Their support – and that of South Korea, India, Indonesia, Taiwan and Costa Rica – came after trading partners agreed to a longer phase-out of up to the year 2005 for certain products.

Information Technology Agreement

The main points

- The 39 countries signing the deal yesterday account for 90 per cent of the $600bn world information technology trade. The pact will eliminate tariffs by the year 2000 on almost all IT products. Some developing countries have until 2005 for certain items.
- The six main product categories are: computers (including accessories and components); telecoms equipment (including fax machines, modems; pagers etc); semiconductors; semiconductor manufacturing equipment; software (eg diskettes and CD-Roms); and scientific instruments.
- The tariffs will be cut in four equal instalments, beginning on July 1, and then on January 1 each year to 2000. However, the European Union has agreed to scrap its semiconductor tariffs a year early, half the reduction coming in July, with two more instalments ending on January 1 1999.
- The 39 countries are: Australia, Canada, Costa Rica, Czech Republic, Estonia, the EU's 15 members, Hong Kong, Iceland, India, Indonesia, Israel, Japan, South Korea, Macao, Malaysia, New Zealand, Norway, Romania, Singapore, Slovakia, Switzerland, Taiwan, Thailand, Turkey and the US.

The tariff cuts will come in four equal instalments, beginning next July and continuing on January 1 each year until 2000. However, Brussels has agreed to a US demand for faster implementation of the tariff cuts on semiconductors.

EU chip tariffs, mostly 7 per cent but 14 per cent for some items, will be halved in July and eliminated completely by January 1 1999. In return, the EU will be admitted to the industry's Semiconductor Council created by the US and Japan last year. It is due to hold its first meeting next month.

The final endorsement of the ITA came late yesterday after the US took a formal reservation on the EU's tariff classification of LAN (Local Area Network) telecoms equipment and multimedia personal computers.

The US has already secured a WTO dispute panel on reclassification of these items by EU members, notably Britain and Ireland, from computer equipment bearing a low tariff into higher tariff categories. The panel is due to report this autumn.

Poland and Panama, which had hoped to join the ITA, failed to get their tariff schedules approved by other participants, but can join the accord later. The Philippines and El Salvador also hope to join soon.

New markets seen as key to boosting growth

By Paul Taylor

Most information technology equipment manufacturers are strongly in favour of the Geneva agreement, which they see as lowering costs and helping to open new markets for IT products.

Executives from leading electronics groups emphasise that the IT industry is a global one, with manufacturing facilities and markets around the world.

US multinationals such as International Business Machines, Hewlett Packard, Motorola and Intel stand to gain from the abolition of tariffs, by taking advantage of lower component prices and because of the opening-up of markets, particularly in the developing world.

With IT spending in some developed markets beginning to slow, personal computer and other manufacturers are increasingly looking to new and emerging markets to help maintain their own growth.

Japanese, South Korean and Taiwanese component manufacturers, including semiconductor makers, should also be big beneficiaries of the pact.

The accord is expected to help the large IT and telecoms equipment makers such as Siemens, Philips, Alcatel and Ericsson which will be able to save millions of dollars in components pricing and be able to boost their overseas earnings.

"As a company, we are actively supporting this," Mr Albrecht Doehler, Siemens' liaison officer to the European Union, said yesterday.

Siemens, whose manufacturing interests range from semiconductors to telecoms equipment and personal computers, has operations in Europe, North America and in Asia. "We are a global player; it's essential we can make decisions about where to produce and develop products without regard to duties," Mr Doehler said.

Siemens has been campaigning to end semiconductor tariffs in Europe – the price of entry to the US\Japanese Semiconductor Council – even though the group has invested heavily in chip production in recent years.

European semiconductor and other IT makers acknowledge the removal of tariffs in some areas could hit domestic markets, but believe this will be more than offset by export gains.

Companies such as Siemens stress that the removal of tariffs on IT products must be accompanied by the ability to take action should dumping occur.

WORLD TRADE NEWS DIGEST

EU threat over S Korea imports

The European Commission said yesterday it might take action in the World Trade Organisation after South Korea failed to respond to European Union complaints about its alcohol import regime. The EU's complaints resemble those raised against Japan's alcohol import regime, which the WTO upheld last year. Canada, the EU and the US convinced the WTO dispute settlement body that Japanese tax differentials on liquor sold in the country effectively favoured domestic spirits over imported ones. An EU official said the South Korean regime was a similar one. South Korea is the fourth biggest export market for Scotch whisky, with sales of £129m ($205m) last year. *Reuter, Brussels*

Brazil acts on trade gap

Brazil has introduced measures to increase the cost of the short-term financing of imports, in a further attempt to reduce its widening trade deficit. Importers buying goods on less than 360-day financing will now have to pay for their foreign currency at the time of delivery, which the government believes will affect 65 per cent of imports.

The new conditions were announced at the same time as the government revealed that the trade deficit in the first three months of the year was $2.85bn, compared to $5.58bn in the whole of last year. This year's deficit is expected to be at least $8bn. Imports with financing of over 360 days and imports of fuel are exempt from the new measures, the latest in a series of policy changes, short of raising tariffs, which have been aimed at easing the trade deficit. *Geoff Dyer, São Paulo*

■ Itochu, the Japanese trading house, and Toyo Engineering have won a Y35bn ($285m) order to supply a Malaysian company with a monorail system manufactured by Hitachi. *AP-DJ, Tokyo*

■ Kazakhstan has chosen Britain's National Grid Group as its preferred bidder to manage, operate and develop its high voltage transmission system. National Grid, which owns the transmission system in England and Wales, will pay $30m for a 25-year concession. National Grid said an urgent task would be to provide metering of electricity interconnectors with neighbouring states, especially Russia. Kazakhstan believes revenue is being lost by poor accounting for exports. *Simon Holberton, London*

■ Rolls-Royce Aero Engine Services and Singapore Airlines Engineering yesterday announced the formation of a $15.5m component services company. It will refurbish nozzle guide vanes and compressor stators, and service aircraft in the Asia-Pacific region powered by Rolls-Royce Trent and RB211 engines. *Michael Peel*

Israel to seek gas pipeline tenders

By Judy Dempsey in Jerusalem

Israel is to issue an international tender to build and operate a pipeline to distribute natural gas within the country.

The gas will come from Egypt's Nile delta field via a planned undersea pipeline which will also supply three Israeli power plants at Haifa, Tel Aviv and Ashdod. The gas field is being developed by Amoco and Agip.

The infrastructure ministry also said it would press ahead with opening the energy sector to competition, signalling a shift in the government's policies towards Israel Electric Corporation, the state-owned utility which will operate the pipeline. The government has been reluctant to place IEC on its privatisation list because of opposition by the unions which, over the years, have accrued a wide range of privileges in one of the country's largest monopolies.

The introduction of natural gas to the Israel market, planned for 2000, reflects the government's aim of reducing dependence on oil. At present about 63 per cent of IEC's fuel is coal, 33 per cent fuel oil and 4 per cent gas oil.

Analysts said IEC intended to increase the share of natural gas to 22 per cent and coal to 77 per cent by 2002. IEC has been seeking alternative sources of cheaper energy, but for security reasons it has been reluctant to build pipelines with Arab neighbours.

Japanese sense of taste keeps foreign rice at bay

By next week the Japanese rice market will have been technically open to imports for two years. But the world's big rice-exporting countries – Thailand, the US and Australia – are still struggling to get a foothold in the market, let alone gain consumer acceptance.

As part of the Uruguay Round world trade negotiations, Japan agreed to import increasing quantities of rice from 1995 onwards. In the year to March 1996 it imported more than 400,000 tons of rice, which is set to rise to 758,000 tons in 2000. At some stage after that, tariffs should replace the fixed quota system. However, overseas rice producers complain that although Japan is technically meeting its Uruguay Round commitments, foreign rice is disadvantaged at every stage of the import system.

All rice imports are channelled through the government food agency, which buys in bulk tenders and sets the price for foreign rice only marginally below that for domestic grain, which can be five times the world market price. Supermarkets and restaurants cannot import their own supplies, or sell foreign rice at a significant discount.

Moreover, foreign rice has often been sold blended with Japanese rice, so it cannot be judged on its own merits. Overseas producers suspect, but cannot prove, that foreign rice is being disproportionately used as overseas food aid or kept in storage.

"We believe that the spirit of the Uruguay Round commitment was for genuine market access. Unfortunately that has not occurred," says one Australian diplomat.

Japanese authorities say the reason foreign rice has not been more visible in shops is because consumers do not want it. Conventional wisdom is that because rice has a semi-sacred position in Japanese society, non-Japanese rice would be rejected on nationalistic or quasi-religious grounds. In fact, Japanese consumers seem to have more prosaic considerations: the key question is taste. Recent market research found that most women questioned would not buy foreign rice because they thought Japanese rice tasted better.

Producers argue that as non-Japanese rice has never been widely available, Japanese consumers have never had the chance to develop a taste for it. They are used to the moist, sticky grains of their local rice, and say foreign rice is *pasa pasa* – unpleasantly dry. Most Japanese consumers' only exposure to foreign rice was during a shortage four years ago, when Thai long-grain rice – very different from the shorter-grain Japonica strains – was imported.

Now, in an effort to change negative impressions of foreign rice, the US Rice Federation is spending $450,000 over the next few months on a campaign to promote American rice in Japan. Mr James Warshaw, vice-president of the federation, says: "We recognise we have come a long way: we have access, we have opportunities. But we still need to be able to show our products directly to the consumer." The federation is confident that, given the opportunity, Japanese consumers will come to accept foreign rice as part of their diet.

Initially shoppers, particularly more open-minded younger people, are being encouraged to try American-grown Japonica rice in the kind of Japanese-style pre-cooked snacks and meals typically found in convenience stores. The hope is that customers will realise American-grown Japonica rice tastes virtually identical to the home-grown product.

The next stage will be to convince Japanese consumers that non-Japonica rice can also be tasty if eaten as part of a foreign meal.

The Japanese have an increasing appetite for foreign food: almost every world cuisine is represented in Tokyo. But the only place one can eat an Indian meal with genuine basmati rice is probably the Indian embassy. Diners at Tokyo's growing number of Indian restaurants are presented with inappropriately sticky Japanese rice or, occasionally, Thai rice.

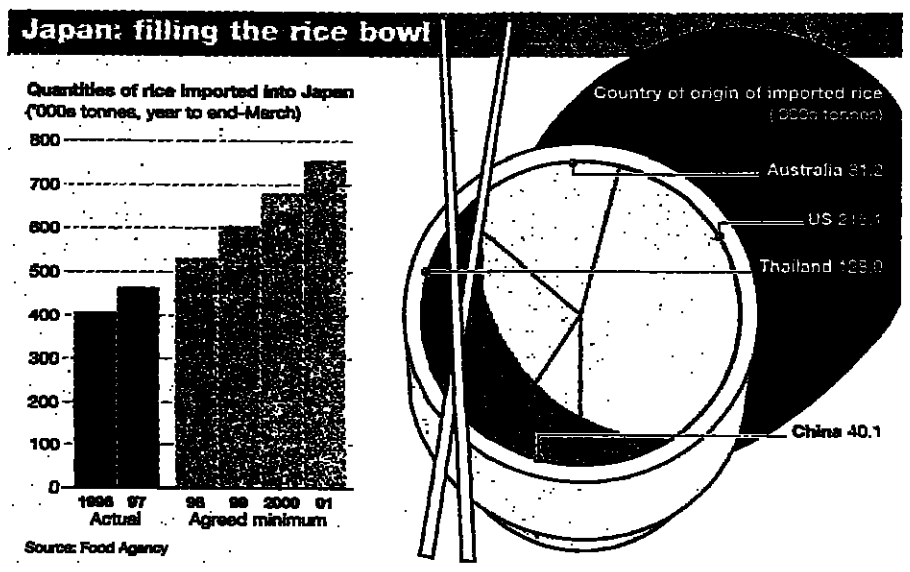
Italian restaurateurs complain that their risottos, made with Japanese rice, lack the authentic creamy texture. Again, US producers have taken a first step this week with promotions of dishes containing long-grain rice – gumbo soup and fried catfish with rice, for example – at a few Tokyo restaurants.

Foreign rice growers hope the grain will eventually follow bread's example in penetrating the Japanese market. Ten years ago almost the only bread available in Japan was the bland, white sliced variety. That is still the norm, but recently specialist bakeries have been springing up to offer a profusion of specialty breads, which are proving popular.

With enough marketing, and freely available cheaper foreign rice, Japanese gourmets might grow to enjoy an occasional authentic risotto, or some fragrant Thai rice, as much as they now enjoy their sourdough or foccaccia.

US and Australian trade and farm officials and producers all repeat the same message: they simply want Japanese consumers to be given a fair opportunity to decide for themselves. But as long as the import and pricing system remains, although the Japanese market may officially be open to foreign rice, Japanese mouths will remain firmly closed.

Bethan Hutton



Japanese to buy CDMA technology

By Paul Taylor in London

Two of Japan's leading cellular service providers, DDI and IDO, have decided to build new networks in Japan using equipment from Motorola, the US electronics group, which uses advanced code division multiple access (CDMA) technology.

The $3bn deal marks the first time Japanese cellular network operators have selected CDMA technology and follows the Japanese government's decision to support the use of CDMA in addition to Japan's own JDC-800 digital standard.

"The introduction of CDMA into Japan, the second largest cellular market in the world, guarantees that this new digital service will become one of the world's foremost wireless technologies and confirms Motorola's position as the leading provider of CDMA infrastructure equipment," said Mr Gene Delaney, general manager of Motorola's Japan cellular infrastructure division.

CDMA, a rival to the European-developed GSM standard for digital cellular telephony, uses radio spectrum very efficiently.

DDI will initially deploy its new CDMA network in the Kansai area which includes the cities of Osaka, Kobe and Kyoto.

The IDO network will span the Kanto and Tokai areas which include Tokyo, Nagoya and Nagano to start with.

Commercial launches are planned for the second half 1998 with nationwide coverage involving the construction of more than 1,500 cell sites planned for 1999.

Reuter adds from Warsaw: Poland's Era GSM digital cellular phone operator is to buy DM250m ($148m) worth of equipment from Sweden's Ericsson and Germany's Siemens.

The two companies will install more than 2,000 base stations by the end of 1998, as Era GSM increases its coverage of Poland to 65 per cent of the country from 30 per cent now.

OECD to approve 'crypto' guideline

By David Buchan in Paris

The 29 countries belonging to the Organisation for Economic Co-operation and Development (OECD) are set to approve today new guidelines on the growing use of cryptography in electronic commerce, chiefly the Internet.

The new guidelines will not be binding, but are likely to be the basis of national legislation in many OECD countries. On the initiative of the US, anxious to liberalise its own information technology and encryption exports without jeopardising law enforcement, negotiations started last December on the guidelines which will be approved by the OECD council of ambassadors in Paris today.

Their basic aim was to balance interests of users and of police and judicial investigators, by the former using "keys" that could be made available to the latter, Mr David Aaron, US ambassador to the OECD, explained yesterday.

"The Internet is like one vast party line, with hundreds of millions of people on the line. So it is obvious the only way for business to develop is with encrypted communications," he said. "On the other hand, we don't want to put power encryption tools into the hands of criminals or child pornographers."

The "crypto" guidelines will cover issues of trust, choice, market-driven development and standards of cryptographic methods, protection of privacy and personal data, lawful access and liability.

But their main practical impact will be to encourage "key recovery systems". One idea put forward is that some trusted third party in a transaction, such as a bank, might hold the encryption key which could be surrendered to police if any abuse were suspected.

Security officials fear that unit of Irish Republican Army may be active in region

Two bombs explode in northern England

By John Kampfner and Richard Wolffe

Northern Ireland's troubles forced their way onto the general election agenda yesterday after the governing Conservative party used twin bomb attacks attributed to the Irish Republican Army to accuse Labour of being soft on terrorism.

Mr John Major, the prime minister, said early morning explosions at the railway station in Wilmslow in north-west England, which caused extensive disruption but no injuries, were the IRA's "two-fingered insult to democracy".

The attacks, which came four years almost to the day after an IRA bomb in nearby Warrington, which killed two schoolboys, sparked fears that a terrorist core may be active in the region.

Police said the bombers had aimed to injure police and fire officers.

Police lifted the security cordon around the centre of Wilmslow after a day of serious disruption to road and rail travel in the north-west. Rail services on the national West Coast main line from London to Scotland were unaffected by the bomb. However there were substantial delays to East Coast services after telephone warnings of another bomb at Doncaster station.

The attack was the first on the British mainland since an IRA bomb in the northern England city of Manchester last June which injured 220 people and destroyed much of the city centre.

The IRA did not immediately claim responsibility for yesterday's incident, although politicians and security officials said it followed a pattern of the past year since the resumption of republican violence.

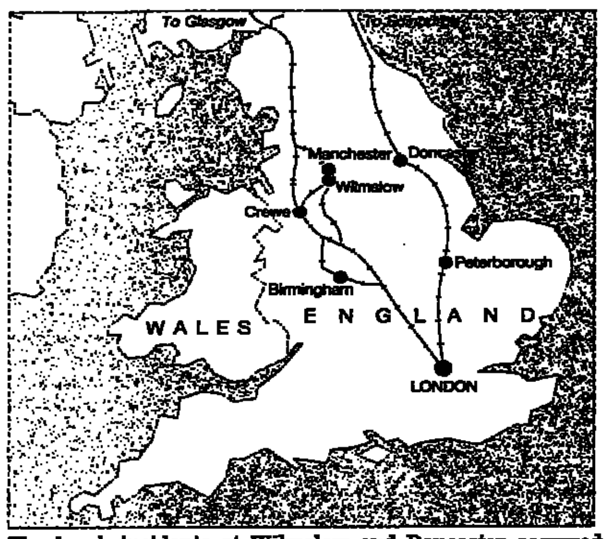
In an Easter message, the IRA said it retained "the capacity and resources to continue to strike against those maintaining British occupation".

Breaking a three-year-old bipartisan approach to Northern Ireland, Mr Michael Howard, the home secretary, said the Labour party leader Mr Tony Blair's refusal to support the annual renewal of the Prevention of Terrorism Act showed "you cannot trust Labour to be tough on terrorism".

Mr Blair was said to be "livid" over the home secretary's accusations. Mr Blair's aides pointed out that last week Mr Howard had agreed with his Labour counterpart, Mr Jack Straw, a strategy for co-ordinating responses to possible terrorist attacks during the election campaign.

Aides of Mr Major said Mr Howard's comments were "perfectly legitimate". They pointed to an off-the-cuff remark by Mr John Prescott, Labour's deputy leader, earlier in the day.

Mr Prescott said: "The peace process broke down when John Major decided that in order to stay in power he had to do all sorts of deals [with pro-British politicians in Northern Ireland] to stay in power."



The bomb incidents at Wilmslow and Doncaster occurred on and near the two main London-Scotland rail routes

Premier is given tighter security

By Jimmy Burns and Liam Halligan

Security was stepped up yesterday around Mr John Major, the prime minister, as he continued his election campaign after the bombing. He was adamant his "meet the people" style would not be affected.

For the first time since he announced the election date and began his campaign, Mr Major's car was flanked by 12 motorcycles with police carrying sub-machine guns.

There was no walkabout on his visit to the Bradford West district in northern England even though Mr Major's Conservative party hopes to capture it from Labour. In recent visits to other closely-fought districts Mr Major walked among crowds with a minimum of visible security.

The lack of firm intelligence about IRA tactics which yesterday's bombs exposed has cast a shadow over the election.

Security officials had been warning of the possibility of an attack for weeks but were unable to specify where or in what form it would take place.

Experts said the bombs were small and would not have required handling by the IRA's most experienced cells. IRA tactics during the election campaign might involve small devices in different locations, with emphasis on disruption rather than loss of life.The greatest danger of an IRA "spectacular" may be in the days after the election.

Hope of early ceasefire dies

Support for 'armed struggle' remains high in parts of Ireland

Republicans in Ireland have said that a bomb in England is worth 20 in Northern Ireland. In the wake of yesterday's blasts, fears are rising that the Irish Republican Army may be preparing for a sustained campaign on the UK mainland.

After weeks of what now appears wishful speculation, security officials in Northern Ireland have all but ruled out any hope of a new IRA ceasefire before the British general election on May 1.

The IRA is believed to have calculated that Mr John Major, the prime minister, will not make concessions to Irish nationalists during the election campaign, while the main opposition Labour party needs reminding of the IRA's capacity to cause disruption.

But there is a noticeable hardening of views in the Irish Republic's government against Sinn Féin, the IRA's political wing. To outsiders and particularly its erstwhile supporters in the US, Sinn Féin's position may seem increasingly unsustainable.

Despite this, it has held talks this week with both the Confederation of British Industry and Mr Albert Reynolds, the former Irish prime minister.

Still, the twin bomb-and-ballot-box strategy remains the defining policy to the party's core vote in working class areas of Belfast and the rural hinterland.

Sinn Féin spokesmen made little attempt yesterday to feign surprise at news of the explosions in England, as they have sometimes done in the past. Remarks by Mr Martin McGuinness, the party's chief negotiator, seemed aimed less at British public opinion than at his own supporters in Ireland.

He refused to condemn yesterday's bombing and linked his refusal with the British government's refusal to reopen the investigation into "Bloody Sunday" case – when in 1972 demonstrators were killed by British soldiers in Londonderry, the second largest city in Northern Ireland.

"The people of Derry have waited unsuccessfully for the last 25 years for successive British prime ministers, including Mr Major, to condemn the killing of 14 people on Bloody Sunday," said Mr McGuinness.

For its part, the Royal Ulster Constabulary, the Northern Ireland police force, says it sees no sign of an easing off in IRA activity.

But one hope is that, with the UK general election approaching, the IRA may decide on a "cooling off" period. Sinn Féin is seeking to maximise its vote in Northern Ireland by eating into the support of the moderate nationalist Social Democratic and Labour party.

With this strategy a possibility, officials of the Irish government point to the fact that a "soft" target was chosen yesterday. The republicans hoped to inflict maximum damage with minimum cost by targeting railway infrastructure. One objective of that was to limit civilian casualties because these alienate supporters.

John Murray Brown

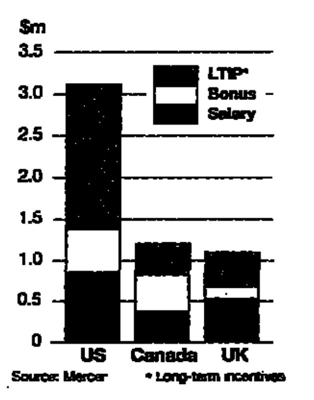
Executives 'lose out against US'

By John Gapper, Banking Editor

Chief executives of British companies receive total pay and compensation of only about a third of the level in comparable businesses in the US, according to research published by a benefits consultancy yesterday. Figures published by William Mercer, a pay and employment consulting company, showed that compensation for leaders of public companies with a turnover of $5bn averaged $1m in Britain, compared with $3.2m in the US.

These figures include not only base salary, but also annual bonuses and long-term incentive packages including retirement benefits and share options. Long-term incentives made the largest contribution to the differential.

Total remuneration



Source: Mercer * Long-term incentives

Mr Ken Hugessen, the head of Mercer's global compensation practice, said there was a "huge pay disconnect" between the figures for the US and for Britain and Canada, which could lead to UK business leaders emigrating.

Mr Hugessen, speaking in Toronto, said that UK and Canadian companies would be forced to include long-term share incentive arrangements in chief executives' contracts, partly following shareholder pressure for performance incentives.

Mr Hugessen said that as US chief executives earned $1m per year or more in share distributions, which tend to increase in value as companies grow, "we are seeing the creation of a new generation of staggeringly wealthy people".

He said that criticism of UK chief executives' pay did not "match market place reality". There was growing pressure in these economies for senior and middle managers to perform better, and "rewards match the performance".

The survey of 39 US, Canadian and UK companies found that the base salary of British chief executives was about 71 per cent of that paid to counterparts in the US. Base US salary averaged $790,000 against $558,000 in the UK.

Mr Hugessen said that mid-level executives were starting to note a "glaring differential" between what they could receive in the US compared with the UK or Canada.

London seen as future global swaps centre

By Laurie Morse in Chicago

London could become the formal centre of the *$21,000bn global swaps market* if the London Clearing House decides to launch a central settlement, collateral, and risk-management facility for swaps clearing, the LCH said yesterday.

The LCH, which already performs those services for all London's futures exchanges, hopes to determine by late summer if there is sufficient demand to go forward with the project.

"The idea of a full clearing house for swaps has been around for years," said Ms Sara Williams, director of business development at LCH. "Our objective is to try to quantify the potential benefits and costs and determine the interaction with exchange-traded instruments." The LCH is working closely with several swaps dealers in conducting the feasibility study.

Shepherding the privately-negotiated swaps market into a central clearing house may be simpler now than five years ago, when the Chicago Mercantile Exchange first studied the idea. Short-term interest rate swaps have become increasingly "commoditised". Swaps dealers now commonly net their positions, post collateral, and market *their positions to market* each day.

The Chicago Board of Trade has also studied a swaps clearing mechanism, and may offer some risk management facility for over-the-counter derivatives when it launches its Chicago Board Brokerage product.

The LCH, which was reorganised last year, is now owned and capitalised by its members and London's derivatives exchanges. Many of its investment-bank members deal in both swaps and futures.

● Bankers yesterday hit out at proposals that they should disclose separately the value of certain derivative transactions in published accounts, **Christopher Adams** writes. The International Accounting Standards Committee said the value of swaps and options positions should be accounted for at current market value regardless of plans to hold or trade. This value "should be disclosed immediately" as income or expense outside the profit and loss statement, contrary to normal hedge accounting practice.

$159m Peugeot plan to go ahead

By John Griffiths

Peugeot said yesterday it would go ahead with a £100m ($159m) investment programme to bring a second car into production at its factory in the English Midlands next year whatever the outcome of today's vote by the plant's 2,800 employees on a new pay offer.

Mr Richard Parham, managing director of Peugeot Talbot, revealed yesterday that nearly £30m had already been spent on the project to build a smaller car alongside the current Peugeot 306 range at the factory. The car, understood to be the replacement for Peugeot's 205 hatchback, is due to go on sale in August 1998.

The plant's first factory extension for 40 years – of 6,000 sq m – was already under way, Mr Parham said. A "no" vote at the French car group's wholly-owned UK subsidiary "would obviously be a knock and would lose us some of the confidence built up with the parent company over the past few years – but I don't see any long-term impact", he added.

Today's vote is expected to be finely balanced. The revised offer includes a 5 per cent pay increase and would introduce radically revised work procedures to create more production capacity at the plant.

The proposals would lift production capacity by 80 per cent, or 100,000 units a year, to 230,000, without the huge capital investments normally associated with such capacity increases, said Mr Barham.

It would be achieved by reorganising shift patterns to allow the plant to operate on a seven-day basis when warranted. Employees would work 20 fewer hours a year and have seven weeks' holiday under the revisions, although shifts would be longer. Peugeot produced 130,000 cars at Ryton last year and is currently "bumping up against capacity limits", said Mr Parham. The new car, which Peugeot is still refusing to confirm as the 206, is expected to lead to a sharp rise in output.

Competition speeds up decline in car dealer total

By John Griffiths in London

The number of franchised car dealers in Britain suffered its biggest fall for a decade last year as the industry, ravaged by fierce competition, restructured in pursuit of greater efficiency for vehicle retailing and distribution. Nearly 700 dealers, or almost 10 per cent of the total, disappeared from the scene.

The contraction was concentrated among the leading franchises, such as market leader Ford, and came despite continuing expansion by some Asian car manufacturers.

The determination of many carmakers to carve out larger, more viable, market areas for the dealers they wish to retain was mainly responsible for the drop in numbers, according to Sewells International, the motor trade consultancy which undertakes annual monitoring of shifts in the dealer population.

Mr Bryan Gourlay, Sewells' research director, said that the franchise total now would be close to 6,000 and not the 6,754 which survive – but for expansion by relative newcomers to the market such as Chrysler, and Kia and Ssangyong of South Korea, which "all served to camouflage temporarily the real decline".

The Ford network registered the biggest decline – of 22 main dealers and 151 retail dealers. Next was the Rover subsidiary of BMW, which lost 124 retail dealers, although it added 18 main dealers.

Volvo, whose market share has been falling, cut 33 dealers in line with a policy of doing business with fewer outlets, thus increasing the profitability of those that remain. The only big manufacturer to increase its dealer representation was the Vauxhall offshoot of General Motors, whose outlets rose by 17 to 520.

"All the evidence points to a further erosion in the coming year, albeit probably not at the rate of the past 12 months," Mr Gourlay said. Some manufacturers such as Peugeot and Saab want to increase their networks this year; however this growth is likely to be more than offset by cuts at Fiat, which plans to lose 54 outlets – 30 per cent of its current network.

UK NEWS DIGEST

MP quits after 'sleaze' row

The general election fightback by Mr John Major, the prime minister, suffered a serious blow yesterday with the decision by Mr Tim Smith to stand down as a Conservative MP following his admission that he was paid bundles of cash to promote the business interests of Mr Mohamed Fayed, owner of the Harrods store in London.

Mr Smith, who quit his job as a Northern Ireland minister more than two years ago following initial disclosures in the so-called cash-for-questions affair, said his move was "in the best interests of . . . the Conservative party".

His decision not to contest his seat in the general election is an embarrassment to the prime minister. Yesterday morning Mr Major said that he wanted to see the re-election of Mr Smith and nine other MPs in his party who are being investigated by Sir Gordon Downey, the parliamentary commissioner.

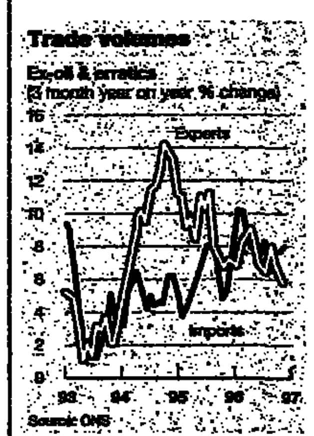
"There is an old English tradition that I think is a very good English tradition, and that is the belief that people are innocent until proved guilty," Mr Major said in an interview in the Yorkshire Post newspaper. However, last night a colleague said that Mr Smith had to quit to "avoid damage to the PM".

Mr Smith admitted to Sir Gordon that he had accepted at least £18,000 in cash payments from Mr Fayed between 1986 and 1989. In that period, he lobbied ministers on Mr Fayed's behalf, proposed a parliamentary debate to further Mr Fayed's interests and signed parliamentary motions which would have helped him.

Mr Major's decision to prorogue parliament last Friday to cease all parliamentary business means that Sir Gordon's report on the affair will not now be published until after the general election. *Robert Peston*

■ TRADE DEFICIT DOWN

Exports to US surge



The UK's trade deficit fell to its lowest level for more than a year in January as exports to the US surged in spite of the strength of sterling, official figures showed yesterday. But the data also revealed warning signs of rising imports and falling exports – trends that could cause the UK's trade deficit to widen this year if the pound remains high. The value of exports within the EU was stable in January at £8bn ($12.72bn), unchanged from December's level. But exports outside the EU rose from £6bn in December to £6.4bn in January. Within the EU, exports to the Netherlands rose, while exports to France and Germany fell. The encouraging trade figures came as a new measure of inflation, using an EU-wide standard, showed UK consumer price inflation to have fallen to 2 per cent in the twelve months to February, from 2.1 per cent in January.

The Office for National Statistics said the UK's trade deficit with the rest of the world narrowed to £641m in January – its lowest level since November 1995. The underlying deficit, which excludes oil and "erratic" items such as aircraft and ships, showed an even bigger improvement. *Richard Adams*

Samuel Brittan, Page 16

■ ARMS FOR INDONESIA

Court upholds legality of sale

The legality of the UK government's decision to allow arms sales to Indonesia has survived a challenge in the High Court in London. *Campaigners had applied for per*mission to apply for a declaration that the decision to permit the supply of water cannon and armoured vehicles to the country was unlawful because of evidence of human rights abuses in Indonesia.

The judge refused them permission to seek a judicial review, saying the challenge was "quite misconceived". The case was brought by the World Development Movement, the Campaign Against the Arms Trade and the Indonesia Human Rights Campaign. The WDM previously successfully fought a case against the government's use of £234m ($372m) in aid for the Pergau Dam in Malaysia.

■ FILM INDUSTRY

University honour for Spielberg

The US film director Steven Spielberg (left) is to receive an honorary Doctor of Letters degree from the University of Sussex in southern England in recognition of his "outstanding achievements as a film maker, his contribution to international understanding and for his support of the university's Centre for German-Jewish Studies," the university authorities said yesterday. Mr Spielberg last year gave £65,000 ($103,350) to launch the centre, which is thought to be one of only two in the country, from the profits of his 1993 film *Schindler's List*, which portrays the efforts of the German industrialist Oskar Schindler to save Jews during the second world war. Mr Spielberg will receive the award from Lord Richard Attenborough, who is pro-chancellor of the university and who appeared in Mr Spielberg's film *Jurassic Park*. Mr Spielberg is now in England making the wartime film *Saving Private Ryan*.

■ ELECTRICITY PRICE CONTROL

Regulator appoints four advisers

Professor Stephen Littlechild, the electricity industry regulator, has appointed four businessmen to advise him on his review of price controls in electricity supply. Some form of control is expected to remain in spite of next year's deregulation of the electricity supply market. Mr John Sadler, a former government official, will devote more time to the review and will be paid a fee. The others are: Sir Anthony Cleaver, chairman of AEA Technology; Mr Geoffrey Maitland Smith, chairman of Hammerson; and Sir Keith Stuart, chairman of Associated British Ports. *Simon Holberton*

RETAILING • by Jane Martinson

An artist's impression of an atrium in the new Churchill Square. Completion is scheduled for Easter 1988 Illustration: Hayes Davidson

Extensive rejuvenation

Brighton aims to improve its shopping facilities and catch up with other centres

Brighton is aiming to fight encroaching competition from outside Sussex and restore its reputation as one of southern England's most important shopping areas in the coming year.

The centrepiece of this concerted effort is a £90m development to create a modern, covered shopping centre in the middle of town, which is due to be completed next spring.

At the same time, the local council and planners do not want Churchill Square to damage the town's existing range of retail outlets, including the small independent shops in the famous Lanes area and the little-known Bohemian quarter of North Laine.

Pressure to do something about the region's shopping facilities came at the start of the recession in the early 1990s.

Mr Martin Taylor, economic development manager at the Brighton and Hove council, says that the area started to lose out when other regional centres such as Crawley, Worthing and Tunbridge Wells began to upgrade or develop their own shopping areas.

"Brighton was gradually losing market share as there were other attractive options for people," he says.

The market was potentially large. A survey conducted by Jones Lang Wootton in October 1993 found that Brighton had a catchment area of 507,000 – two-thirds of the entire population of East Sussex – which enjoyed a total annual spending power of £1.32m. Some 38 per cent of the potential customers in Brighton and Hove also used Brighton as their main shopping outlet. The town also attracts about 2.5m tourists a year.

The way things were: Churchill Square – a typical development of its era – was beginning to look sorry for itself Picture: Dawes & Billings

The council decided that while Brighton's retailers benefited from its leisure and tourism attractions, the town was failing to attract more dedicated shoppers.

"We had lost ground over the last couple of years through the lack of a modern covered shopping area," says Mr Taylor.

"If people are going to make a trip into town it is mainly to shop in multiples (larger chain stores) and that's where we were falling down."

The Jones Lang Wootton survey found that Brighton had the lowest number of multiples as a percentage of the total retail area when compared with six other historic town centres.

"The figures highlighted the strength of Brighton's independent retail sector but also that there was a need for the redevelopment of Churchill Square," said Mr Taylor.

Work started on the existing uncovered shopping centre in January 1996 after Standard Life, which is making the £90m investment, bought Brighton Borough Council's remaining stake.

Churchill Square was built in the late 1960s by a consortium of Standard Life, Taylor Woodrow, the construction company, and the town council.

Mr Malcolm Harris, who was appointed as town centre manager as part of the scheme to revitalise the area, says that Churchill Square – a typical concrete development of its era – "was beginning to look very sorry for itself".

The redevelopment will demolish part of the site and add a further 100,000 sq ft. There will also be 1,500 car parking spaces, a creche and as many as six restaurants.

However, while the numerous small independent retailers in the area mostly welcome the new development they do have some concerns. Mr Alan Moon, chairman of the Lanes Traders' Association, says: "I think that, without a doubt, it will bring more people into Brighton, but the question is what these people do when they are here."

The concerns touch on a perennial problem for Brighton; its limited car parking space. Mr Moon and Mr Tony Murnagh, the head of the North Laine traders' association, both fear that car parking restrictions could lead to an increased number of Brighton's visitors leaving the town centre after shopping in Churchill Square.

They are concerned that if cheap parking is provided for a very limited period – say three hours – shoppers will not be drawn to other areas, which provide a different range of shops. Both also want clearly marked street signs leading to the Lanes and Laine, which are within walking distance of Churchill Square. Standard Life has not yet made any commitment on parking or street signs.

Independent retailers have had to adapt to other challenges in recent years, and to the impact of recession. The growth of out-of-town developments such as one at Holmbush has brought home the need for innovation among the small independent retailers in the Lanes. It has become more specialised, with a greater tendency to service the tourists who visit the area. There has been rapid growth in the number of restaurants and bars.

Mr Murnagh of the North Laine area, which is separated from the Lanes by North Road, also believes that the area will be able to weather any adverse impact brought by the new development.

The North Laine, described as Brighton's answer to London's old Bohemian Carnaby Street quarter, is populated by 311 unusual shops. These include one which sells only crucifixes; one which sells cigarette cards; and another which sells only leather bondage equipment.

"I don't really expect tons of people to suddenly start coming to the North Laine," says Mr Murnagh, "but it would be good if a few more could be tempted here."

The association took its own positive measures when it helped design a new logo to be used on all street signs in the area, covering half a square mile.

The council and the Brighton and Hove Economic Development Company have also stressed the need for environmental improvement measures in the town in addition to the work at Churchill Square.

Some £600,000 from the Single Regeneration Budget is to be spent on street furniture such as benches and lights, and on traffic management measures, on the main route from Brighton's railway station to the beach. The approach has been renamed Ocean Boulevard.

ECONOMIC DEVELOPMENT • by Richard Adams

Deceptive appearance

Service industries were hit hard in the recession. The conurbation is still recovering

Like the town's famous Royal Pavilion, the economy of Brighton and Hove is not all it seems from the outside. Behind an exterior of prosperity, the local economy has seen happier days.

Until the start of the 1990s, Brighton and Hove was one of the more prosperous regions within the UK. Like much of the south-east, it benefited from the rapid growth in services and house prices that accompanied the dramatic restructuring of the UK economy.

Because the region had never been as reliant on large-scale manufacturing industry, as some towns of similar size, it avoided the heavy impact on its economy suffered by others. Instead, its staple sectors of tourism and retailing were augmented, especially by conference trade.

By 1991, Brighton and Hove had one of the largest financial service sectors outside of London. More than 15 per cent of employment in the local "travel to work" catchment area by 1991 was in financial services – a total of 23,000 jobs – compared to just over 10 per cent nationally.

The region's traditionally strong employment sectors – tourist accommodation and retailing – were only performing slightly above the national average, although tourism was estimated to account for 11 per cent of employment.

The biggest increases came in the non-financial service sectors, which included many tourism-related services. At the start of the 1990s, services accounted for nearly 40 per cent of jobs, compared to about 30 per cent in the rest of the UK.

But it was service industries that were hit hard in the recession of the early 1990s, from which the conurbation has yet to fully recover.

Michael Petrie, chief executive of the Brighton and Hove Economic Development Company (BHEDCo) – a partnership between the region's private and public sectors – says that Brighton and Hove suffer from a number of "mis-perceptions". One such misconception is that Brighton and Hove is a wealthy area, with low unemployment and high wages.

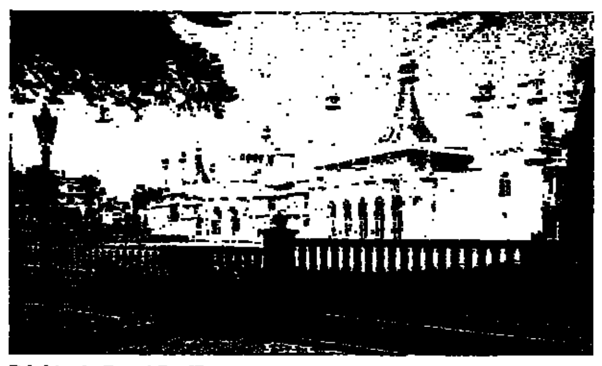
In fact, Mr Petrie points out, unemployment is now substantially above the national average, at 12.8 per cent in January 1997. That is a big change from just four years ago, when unemployment was below the national average.

Mr David Lepper, the chairman of the Brighton Borough Council's economic development committee, says the picture is worse in the town centre. Within the Regency council ward, unemployment reached 31.4 per cent in October 1996, and 23.6 per cent in neighbouring Brunswick ward.

Yet in the outskirts of the Brighton and Hove urban area, unemployment among the economically active is as low as 4 per cent, creating a "doughnut" of prosperity around a centre of bed-sits and unemployment. The town also has a visible homeless problem.

"It is a place of some contrasts," says Mr Lepper. "There are spots of unemployment, but also a huge range of skills and talents. We are now starting to get the regeneration funding needed to get these skills involved and back into the workforce."

One of the skills the region can boast is languages. Brighton University and the University of Sussex, based in Falmer three miles outside the town, both produce large numbers of graduates in languages. Their output is augmented by more than 20 language schools and colleges in the area, which have some 30,000 visiting language students every year.



Brighton's Royal Pavilion: a reminder of more prosperous times

American Express, the financial services group, has based its European customer support headquarters in the area. Amex is the town's largest employer, with a workforce of more than 3,500.

Mr Jim Hobby, head of European customer services for Amex, says the region's workforce, many with European language skills, make it an ideal place to recruit staff for Amex's support operation in Europe.

"An advantage is the university population. We encourage our managers to hire employees that can help the future of American Express. We are also fortunate that we are close to many other cities and commuters, so it's relatively easy to recruit high quality employees," says Mr Hobby.

David Lepper: 'The picture is worse in the town centre'

American Express took over as the largest employer after the departure of the Alliance & Leicester building society, which is soon to take up bank status and is consolidating its headquarters in Leicester.

The gap left by the departure of Alliance & Leicester has been partially balanced by the recent decision of the Alamo car-hire chain to base its European rental reservations and communications centre in Brighton which will bring 100 new jobs. Alamo cited the availability of a multilingual workforce as an important reason for its decision.

Another growing role for Brighton and Hove is as a location for company call centres, for telephone marketing or customer accounts. A number of other large companies have located their call centres in the area, including International Factors, Legal & General, Lloyds-TSB and Seeboard, the electricity utility.

The Occupational Pensions Regulatory Authority is to base itself in Brighton after a nation-wide search for sites and will bring about 100 jobs. But as Alliance & Leicester demonstrated, it is increasingly easy to move such service industries.

Attracting jobs in manufacturing is proving to be difficult. One of the largest of the remaining manufacturers is the Japanese-owned Hoisden Besson company, which makes electronic and acoustic components. It has decided to develop a site in Leighton Road, Hove, where the council is developing the Hove Technology Park.

But for other manufacturers, the lack of large sites is a problem. The council is examining redevelopment of Shoreham harbour, but the large site lacks adequate road access.

Tourism accounts for about 22,000 jobs and earns £145m in annual income. There was also a record number of large conferences in 1995. Conferences alone are worth £65m and draw more than 200,000 delegates.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Cinema / **Nigel Andrews**

Artistic GBH to revitalise a masterpiece

The American TV anchorwoman deepens her voice, shuffles a paper and assumes her most earnest look. "Two households both alike in dignity," she intones, "in fair Verona, where we lay our scene..."

And we are off. A great play, estimated to have been written in 1595, has been coshed over the head and dragged into the 1990s. It is a clear instance of artistic GBH – the newscast is soon followed by a Capulet-Montague gun battle that climaxes in a blown-up petrol station – and as perpetrated by the director of that cultists' delight *Strictly Ballroom*, it is an unmitigated success.

The advantage of a play so strong that it does not need revamping is that it cannot *suffer* from revamping. The work has become the world's plaything. But it is a Rubik cube that will always return to its own shape, contort it how we may.

No one could contort it more wittily and illuminatingly than Baz Luhrmann. They called the film *William Shakespeare's Romeo And Juliet* in the States, but in reality it is Luhrmann's – and as bold an artistic transposition from one age to another as Chereau's Ring Cycle or (to conjure a closer comparison) *West Side Story*.

The movie was shot in Mexico City, where Romeo (Leonardo DiCaprio) and his friends disport on Verona Beach, where every teenager packs a gun cunningly brand-named Sword or Rapier – so that those words can still make sense in the dialogue – and where gangs collide amid the crumbling high-rise *palazzi* of a later golden age, industrial Modernism.

The spoken text is Shakespeare's, but shortened and treated as movie dialogue. No one stands still to sculpt great speeches, words are delivered on the wing. Indeed Romeo's courting arias are spoken while tottering on walls, falling into swimming pools or anxiously evading the Villa Capulet surveillance cameras.

Is it preposterous? Is it camp? Yes, and yes. But Luhrmann is making a speciality of bringing polymorphous perversity to the cinema. He knows that the aesthetic world is round and that the sublime and the ridiculous, if pursued with equal passion, meet on the far side of the imagination. We are in such a state of high persuadedness from the early comical modernisms that we accept willingly, even avidly, the tragical modernisms.

Luhrmann transforms those quirks of the play that were stale with time. The brutal parenting of the Capulets is given fresh immediacy by its mock-Mafia context. Mercutio's asexual role as a spoofer of other people's love lives is given edge and plausibility by making him a black drag queen. (Keep those smelling salts handy for Aunt Edna). And Romeo's backstreet apothecary is ingeniously redrafted as a drug dealer, played by the magisterially seedy M. Emmet Walsh. Even Luhrmann's gaudy dressing of the tomb scene, with enough candles to light up the vaults of the Vatican, pays off. It turns a parochial Po Valley tragedy into something cosmic, incandescent.

ROMEO AND JULIET (12)
Baz Luhrmann

BASQUIAT (15)
Julian Schnabel

DANTE'S PEAK (12)
Roger Donaldson

LOVE LESSONS (15)
Bo Widerberg

LARGER THAN LIFE (PG)
Howard Franklin

In any other film Leonardo DiCaprio's gangling teenybopper Romeo might seem callow and hysterical. Here he glides with the slipstream towards his climactic kismet with Claire Danes's complementary Juliet, half sensuous, half sensible. Best of the rest are Pete Postlethwaite's Friar Lawrence, a guru clearly hung-over from the hippy era with his flower power domestic decor and body tattoos, and Paul Sorvino's Capulet, a Scorsese *capo* who would as surely get Shakespeare to write his dialogue as he would get Armani to design his clothes.

★

Julian Schnabel's *Basquiat* is the portrait of an artist as a young dog, where one wishes both artist and portrait showed more bite. Not often is a late-lamented black hero of the New York salons – painter Jean-Michel Basquiat, who evolved from daubing wall-graffiti to farouche but fashionable canvasses – honoured with a bio-pic by a fellow artist. But rarity, alas, is not a quality guarantee.

Schnabel is good at shaking the screen into visual surprises. Here, the blue sky above Manhattan is filled with celestial surfers. There, a naturalistic scene is pixilated with snips from one of Starewicz's silent puppet movies. But between the surprises comes the sprawl. Schnabel is less gifted with matters like script, characterisation and narrative development.

An early voice-over – "The rest of art history will be retribution for Van Gogh's neglect" – warns us that the theme will be the martyrdom of genius. And Schnabel clearly considered that to be backbone enough for this barely vertebrate mixture of sentimentality (Basquiat blubbing at Warhol's movies after the master's death), portentousness ("the true voice of the gutter," says a critic, obviously of the Robert Hughes school) and guest cameo turns (Christopher Walken, Gary Oldman, David Bowie as Warhol).

On the set with Leonardo DiCaprio as a teenybopper Romeo and Claire Danes, the complementary Juliet

Dante's Peak is nonsense with élan. Linda THE TERMINATOR Hamilton is mayor of a small town in the American north-west which is about to be volcano'd to death. The neighbouring peak, says visiting volcanologist Pierce Brosnan, is not extinct but "dormant, that is (pause) sleeping". He urges the city councillors to evacuate the town before disaster strikes.

Soon the dialogue is swept away by lava, to everyone's relief, and we are shinning over Oregon trying to survive acid lakes, bubbling roads, crumbling cliffs and "pyroclastic winds". I enjoyed almost every spectacular minute, many of them computer-generated. We are promised another Hollywood movie shortly on the same subject but *Dante's Peak* sets an effects standard that will be hard to surpass.

Bo Widerberg's *Love Lessons* is the first film in nine years from the Swede who brought us sex, strawberries and Mozart in *Elvira Madigan*. Here he offers sex, vodka and Handel as teenage schoolboy Stig, played by the director's son Johan, falls into the bedsheets of lovesick schoolmistress Viola while her husband Kjell, a kindhearted drink-sodden underwear salesman who loves classical music, turns two blind eyes and befriends the boy.

We are in Malmo, 1943, though it sometimes feels more like *Room At The Top*, 1959. Widerberg is a gifted merchant of comic asides. We cherish the hallway sign "Don't hang your hat on the elk" and the Swiss clock whose cuckoo jumps out one evening to vomit neat vodka. And when the boys are caught sweepstaking each other in class on "How many times does a cock go in and out during sex?" the lady teacher inspects the scribbled guesses and comments drily, "Wishful thinking".

But when seriousness descends, so does melodrama followed by facile resolution. The thrown-over woman becomes a harpie. The boy grows up, almost at a stroke, by dint of a new romance with a girl his age. And Kjell – ah, he alone stays unreconstructed and is all the more human and believable for it.

Larger Than Life is a comedy starring Bill Murray and an elephant, neither of whose careers will be enhanced. There are two characters and one joke, expected to fill an aching 93 minutes.

Concert

A crisp Orfeo in a week of Haydn

Life has gone quiet at the London Philharmonic. The managing directors have stopped coming and going, there is no high-profile musical director to act as a focus for criticism and the management has kept stories about its finances out of the headlines.

The orchestra's London concert season has been fairly modest, too. Over the past week it has featured a short, three-programme Haydn festival – an unusual choice for a full-size symphony orchestra, especially these days when the classical repertoire has been more or less comandeered by ensembles of period instruments.

The London Philharmonic, however, has Roger Norrington on board as associate principal guest conductor and he was no doubt the force behind this Haydn week.

There were two concerts of symphonies, all taken from the "Paris" set, which Norrington conducted himself in the Royal Festival Hall.

But the most unusual move was to include a Haydn opera, *Orfeo ed Euridice* (officially known as *L'anima del filosofo* and written for London in 1791). Not only that – the London Philharmonic moved into the smaller Queen Elizabeth Hall for the occasion and, the conductor was not Norrington himself, but another classical specialist, Frieder Bernius.

It all worked rather well. Whatever weaknesses Haydn operas have, it is rarely that the music is dull, so a concert performance gets the strongest feature of the work to put across.

Haydn's *Orfeo* is no competition for Gluck's if one is hoping to look deep into the myth. For the Elysian Fields he proposes homely, rustic music and the chorus announces Orpheus's penalty for looking back at a jaunty trot.

Kurt Streit gave the role of Orfeo real stature. Maybe he sang too forcefully, as if for a larger hall, and there was a harsh edge to the tone at the top, but everything he did brought both drama and music to life.

Christiane Oelze sang sensitively, but without much energy as Euridice. Strangely, the big number goes not to her, but to Genio, sung by Claron McFadden with a lot of pluck (even the piercing top C at the end). William Dazeley was the sterling Creonte and Nicholas Gedge a black-voiced Pluto.

Apart from a blot on Euridice's hushed death scene, the orchestra sounded well-practised in its surrogate position as a modern orchestra playing in period style, with crisp string articulation and braying brass.

Bernius was adept at pacing the score and lifting the rhythms with the right Haydn-esque buoyancy. A Haydn series will have been cheaper than Mahler symphonies too, so the London Philharmonic's bank manager should be happy.

Richard Fairman

Dance

Poetry in motion

There are few British artists today who create such theatrical poetry as Yolande Snaith. You follow her work as if locked in a dream: you cannot believe the strange sequence whereby *this* follows *that*, you cannot comprehend how it all can make sense, and you are swept along helplessly by its topsy-turvy fluency. Peculiar, witty, unpredictable, and serious meanings keep pouring from its changing imagery.

Snaith's work contains dance, and is usually seen in dance contexts. But though her choreography is perfectly deft, it is the least remarkable feature of her work. Her latest work – *Gorgeous Creatures*, seen recently at The Place – is an object-lesson in artistic ensemble, made with several of Britain's most interesting theatre artists: notably Graeme Miller as composer, and Barnaby Stone as furniture designer. The costumes, designed by Kei Ito and Suzanne Slack, are wholly brilliant in conception and marvellous in practice. Snaith herself, in terrific form, performs with five men, all of them excellent.

Snaith here plays Elizabeth I, the Virgin Queen; and *Gorgeous Creatures* plays with the idea of a queen and her court. At first, we see her, static and regal in a beautiful but bizarre farthingale – scarlet, with the vast hooped skirt keeping her lower body not only secret but also some 20 inches above the floor. Only her upper body, at this stage, has life. We see her plucking music from a lute; we see her whimsically surveying a visiting ambassador who smokes a pipe.

The dream begins. Her skirts part: we see that they contain an entire bench, on which four near-naked men lie curled like sleeping babes. What follows shows the men's physicality opposed to her immobility; as handsome courtly lovers pursuing her glamorous and powerful femininity; as scheming courtiers around her reign; as supine or lifeless victims of her life-and-death decisions. The many sides of Gloriana become a hall of distorting mirrors. Everything is surreal and shuttles between the Elizabethan and the modern. Renaissance music turns into jazz. I love the whispering chorus of courtly bisyllables that the courtiers pass around – "My liege!" "'Tis gone!" – while offstage we hear wolves howl.

Meanwhile, other aspects of the Virgin Queen also emerge: the playful innocent, the vulnerable woman, the passive tool of male institutions. She bends her head forward, and her ruff falls open into a long pleated chute, a tube into which men speak. Later, she adjusts the ruff again, and it becomes a wimple and long veil, announcing her virginity to the world. Later again, she returns to the stage like a dwarf – like one of Velasquez's *Las Meninas* – her legs and skirts halved.

Elsewhere, she removes the farthingale altogether, and moves in simple white petticoats with a freedom of which she is usually deprived by court formality. Like Virgil's Dido, we see her going alone to caress the couch where the men she has loved have lain. Finally, she is seen as a corpse; a baby brought up by clerics and scholars; a bride of the Church and of learning. *Gorgeous Creatures* is a modern contemplation of the ambiguities of bygone gender roles and power structures. It is a true work of art made and performed with an eloquence rare in the theatre.

Alastair Macaulay

Opera / **William Weaver**

Sarasota's heady mix

About noon the Sarasota Opera learned that the tenor scheduled to sing that evening's concert of Verdi rarities had begged off. In another company this defection might have caused severe dismay, but Sarasota – thanks to its Studio Artists and Apprentice Artists programmes – has a reserve of fine singers ready and willing.

So Michael Hendrick sat down with a score of Verdi's *Hymn of the Nations* and, a few hours later, could perform it with clarion panache. The anthem came at the end of a rich succession of arias and songs, and a handsome execution of the Verdi quartet by the first-desks of the orchestra.

Opera in this small, elegant Florida city began over 20 years ago, but really took off in 1982, when Victor deRenzi was appointed artistic director. A studious and refined musician, deRenzi is also an enthusiast, and he has communicated his passion to his performers and the public. Sarasota has gained an enviable reputation, and now opera tour organisers include its spring season in their plans.

Sarasota offers a heady mix of familiar favourites and exciting rediscoveries: this year *La bohème* and the Massenet *Manon* alternated with Humperdinck's *Königskinder* and Verdi's *Ernani* – performed uncut and (like all Sarasota productions) in the original language. Verdi is represented every year: last season deRenzi presented both versions of *La forza del destino* on alternate nights with the same cast; in 1992 he did the same for *Simon Boccanegra*.

The productions are traditional. Employing a scrupulously authentic score, deRenzi shuns stagings that might contradict, however brilliantly, the composer's intentions. But, alongside the tempting repertory, what wins hearts in Sarasota is the casting. The operas are sung by young artists undertaking their roles for the first time. Many singers have passed through apprenticeships, from chorister to comprimario to protagonist. And many return to Sarasota year after year, justifying deRenzi's reference to them as "the family".

DeRenzi holds auditions all year round and, when the selected singers arrive in Sarasota, they are granted an unusual number of rehearsals. Thus a sense of strong, affectionate ensemble is palpable. Some performances may be a little unpolished, some of the voices may not yet possess the smooth assurance of maturity, but none is without interest and appeal.

In Sarasota's latest season, several artists merit special praise: the sweet tenor Barton Green (a Sarasota regular and audience favourite) as Des Grieux, and the equally affecting Yi Ge, who sang the King's Son in *Königskinder*; the basses Ding Gao, a formidable Silva in *Ernani*, and Peter Volpe, austere as Des Grieux *père* and humane as Colline; the baritone Brian Davis as Humperdinck's crucial Fiddler.

Sarasota was also fortunate in its sopranos. After a perfunctory first act, Cherie Caluda sparkled as Manon. Lisa Willson was the delicate but persuasive heroine of Humperdinck's fairy tale. As Verdi's Elvira, Tamara Wright Acosta displayed genuine dramatic power, and Carol Ann Manzi's Mimi brought the house down. Sarasota patrons will be wise to save their programme book: many now obscure names in it are bound to become more widely known.

While much of Sarasota's audience comes from the city's large retired community, the Opera Association is making successful efforts to expand its public. Sometimes rising at the unoperatic hour of 8am, the leading Sarasota singers visit schools to explain opera and illustrate their profession. The Association has formed a children's chorus, which demonstrated its versatility and linguistic skill in the Humperdinck and Puccini operas. A youth chorus performs throughout the year, and at a youth opera festival in the autumn, 45 singers aged under 18 present specially written works.

Next year deRenzi will celebrate his 16th season with new productions of *Faust*, *Jenufa*, *L'arlesiana* (probably the first professional production of Cilea's opera in the US) and a *Traviata* based on the critical edition of the score.

As Verdians know, the composer rewrote several arias for the version we know today; deRenzi will perform the earlier versions in a special concert.

(L to R) Jacqueline Charlesworth, Cameron Blakely and Susie Blake in form

Theatre

Off the cuff Revue

Intimate Revue; that delightful staging of witty songs, risqué observations and peculiar banalities which flourished during the 1950s before the political satirists and smart alecs moved it out of the theatre and on to television.

It required vivacious, versatile performers and musicians, swift changes of *mise en scène*, and an elaborate set of costume changes – while making it all seem spontaneous. Which is what Islington's King's Head supper theatre achieves in its super revival of the form, *Much Revue About Nothing*.

The director, Philip George, and his accomplished team of dramaturgs have selected a brilliant array of musical vignettes from the period, placing them in the context of current high-tech, low-satisfaction West End musical fare. Here we have the preposterous charm of a Julian Slade number, the wry politicking of a Sandy Wilson ("our status couldn't be more quo", they sing in "True Blue Love Song"), even the modernist quirks of the late Peter Cook (including his glum "Be Happy" finale, accompanied by dead pan tap dancing).

Many oddball pieces have been unearthed from Broadway revues too. They really tickle. They are infectious.

It is also surprisingly undated. Save for the contemporary fear of the atom bomb (there is a very weird number sung in eerie harmonies after a nuclear holocaust, "so we're going to the moon"), this is largely a celebration of our enduring foibles. There are suburban niceties: "You can see the people talking in a little place like Dorking ... our darling baby Arthur is a vampire". There are escapist fantasies, like the meek fellow who rants at Speakers' Corner and "once I've got that off my chest, it's back to Finchley West".

Ingeniously designed by Roy Bell – the whole city scrolls past in Slade's 'Stroll Through London', for example – and dextrously choreographed by the company, there is visual and physical wit, too. Susie Gosling is on top form at the white baby grand. And Susie Blake, Cameron Blakely, Jacqueline Charlesworth and Tony Whittle are excellent.

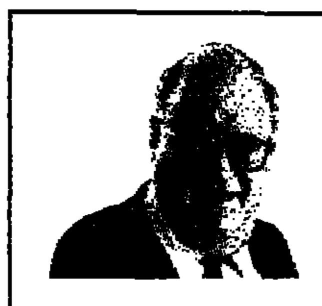
This "full review of revue in review" is about more than nothing. It sends up the shallowness of life, mocks the extremes of obsessions with its minutiae. Intimate Revue, from the trivial to sublime, picks at the scabs of our heartfelt anxieties.

Simon Reade

Until April 13, at the King's Head, Islington, London

COMMENT & ANALYSIS

Economic Viewpoint • Samuel Brittan



Not the economy, stupid

There has been some relative improvement in UK economic performance but this is not a sufficient basis on which to decide how to vote

Bill Clinton won the 1992 US presidential election by claiming that the economy was in a mess, basing his campaign on the vulgar but memorable slogan "It's the economy, stupid". Fortunately for him and the American people, there was no mess. The US economy was in an upswing which has now lasted six years and to which the Fed has now found it advisable to apply a slight brake.

This precedent has some *application to the UK*. But before going further I would remind readers of Philip Stephens' warning (March 18) that there is more to politics than economics: for example, Europe, the welfare state and the constitution. To this I would add the preservation of personal freedom and civil liberties at a time when authoritarian discipline is so much back in fashion. But there is at least some curiosity value in a dispassionate look at the economic record, even if the ability of governments to improve it is less than conventionally supposed.

Meanwhile, Conservatives are their own worst enemies in making over-the-top claims for economic success which undermine the rational case for saying there has been some improvement. Comparisons of records *need to be based on far longer* periods than the five years since 1992. Even ministers such as Kenneth Clarke, the chancellor, who proclaim the value of serious debate seem to have forgotten the business cycle or fondly believe they have abolished it.

These cycles have now *become quite long. The last* one ran for 11 years from the bottom of the 1981 recession to the bottom of the next recession in 1992 when the UK left the Exchange Rate Mechanism.

A way to keep one's head in this minefield is to follow a historical analyst who combines top-level statistical competence with as near an approach to impartiality as humanly possible. An example is Professor Nicholas Crafts at the London School of Economics, whose findings are in a paper for the Social Market Foundation, *Britain's Relative Economic Decline, 1870-1995*.

A measure of Crafts' impartiality is that his findings have been used by both sides of the debate. Peter Jay, now the BBC's Economics Editor, used them in *a television programme* a few years ago to demonstrate there has been no economic miracle under the Conservatives. Yet in April's *Prospect*, Crafts has had to reply to an attack by two old-fashioned interventionists for giving too much credence to Tory reforms.

As the title suggests, Crafts focuses on much longer-term matters than which political party was in power over a limited period. He is concerned with the long-standing academic debate on the UK's relative economic decline. In fact British output per head has been rising continuously in the 125 years he covers.

Any decline is only in terms of an imaginary competition with other countries that have been growing faster – often because they started from lower levels. The table reproduced here in re-arranged form shows a striking negative correlation between initial positions and subsequent growth rates.

The data carefully compiled by Crafts reach only to 1994, and, as he says, the period of Conservative rule 1979-94 is not a very good one to analyse. The final year was not a business *cycle peak and the* British business cycle was further advanced than that of most European countries. Anti-Conservative writers have gleefully pointed out that real gross domestic product per person has slipped lower in rank over these 15 years. The falling behind has, however, been relative to Asian countries. British, French and German growth rates have been pretty similar.

The growth performance of the East Asian Tigers has largely been due to the very rapid build-up of physical and human capital, typical of catch-up economies. Crafts does not believe a further improvement in UK growth rates can be brought about by importing Asian values or any other fashionable method. The best bet in his view is a very sophisticated improvement in research and development expenditure – which cannot be achieved just by bribing large companies to spend more on prestige projects. Even then any pay-off would be long-term.

Crafts finds that British growth rates have been slower since the early 1970s (under both Labour and Conservative governments) than in the golden post-war *decades that went before.* But the slowdown since affected all the developed countries. While the UK slipped further behind its main European partners in the golden age, the relative decline has been arrested and British growth rates are now comparable to or better than those of other major European economies.

Crafts also estimates growth in whole business sector productivity, covering capital as well as labour productivity (known technically as *total factor productivity*). After 1979 there was a decline in the growth of this measure in nearly all countries, but less so in the UK which ranked five out of 20 in 1979-94 compared with 12 in 1960-73.

In his one concession to the election debate, Crafts points out that this measure *of productivity growth* was the same in 1989-94 as in the whole 1979-89 decade, suggesting it cannot have been all due to the initial Thatcher labour shake-out. "While such a trend does not represent a miracle, given the weakness of productivity growth elsewhere, it might be enough over the *medium term to end, and* even slowly reverse, economic decline relative to Europe."

When it comes to reasons for the UK improvement and its sustainability, even Crafts has to move from numbers to judgment. His own is that "relative economic decline against the European peer-group is probably less likely in the future and there may have been a modest increase in the long run growth potential of the economy since 1979." Despite continuing worries about innovation and skills, he attributes this gain to improved industrial relations and a better quality of investment.

Has a price been paid for any relative improvement in UK growth in terms of a relative or absolute squeeze in the living standards of the least well-off? Here Crafts is on less solid ground because the studies he cites all use a measure of income distribution known as the Gini coefficient, which treats *all* departures from complete equality as adverse. Many economists are trapped into using this measure, not because they are egalitarians but because it exists. This coefficient increased (meaning more "inequality") in the UK but remains the same as Sweden's and *lower than Germany's*.

One disadvantage of the economic historian's approach in looking at several decades at a time is that it hides more recent changes. This is above all true in unemployment where the adverse effects of Europe's so-called social model and the effects of *more flexible UK* labour markets have only recently begun to show themselves. I can only suggest to readers that they compare recent year-to-year changes in participation rates as well as jobless data and ask whether they look like a mere cyclical phenomenon.

My own conclusion is *that, at the very least, the* deterioration in Britain's position, relative to comparable countries, has come to an end. But in absolute performance there is still some gap compared with other European countries; and that in any case there are more important issues on which to vote or not to vote.

Growth of real GDP/person 1979-94

	Growth rate (% per year)	Real GDP/Person 1979 (1990 $)
South Korea	6.5	4,350
Singapore	6.2	7,618
Taiwan	6.1	5,362
Hong Kong	5.1	9,276
Ireland	3.0	8,161
Japan	2.9	12,754
Portugal	2.2	7,973
Norway	2.2	13,245
Spain	1.9	9,488
Italy	1.8	12,588
Denmark	1.8	14,731
Belgium	1.7	13,457
UK	1.6	13,087
Germany	1.5	15,257
Australia	1.5	13,670
Finland	1.4	12,089
US	1.3	16,489
New Zealand	1.3	12,450
France	1.3	14,850
Sweden	0.9	14,720

Source: Adapted from N. Crafts

BOOK REVIEW • Michael Prowse

WHAT IT MEANS TO BE A LIBERTARIAN: Charles Murray
Broadway Books, New York, 178p, $20
LIBERTARIANISM – A PRIMER: David Boaz
Free Press, New York, 314pp, $23

A brief introduction to liberty hall

Most people in Europe are happy to classify themselves politically as conservative, *liberal* or social democrat. There are, admittedly, still a few hard-core socialists; but even they can find a place within the elastic boundaries of social democracy.

But outside the US few people would describe themselves as libertarians. These two books provide a helpful *introduction to this political* philosophy which remains poorly understood.

The first illusion it shatters is that libertarianism is an extreme form of conservatism. Some people are even under the misconception that libertarians have something in common with fascists. Nothing could be more untrue.

Libertarians are opposed to authoritarianism and paternalism in all its guises. Like many on the left they are passionate supporters of personal freedoms. They think all adults should be free to speak and act in whatever way they choose provided they do not harm others. They oppose, for example, all censorship and restraints on unorthodox sexual relations.

At the same time they are equally keen advocates of the economic freedoms that some conservatives favour. Libertarians believe taxes and government spending should be as low as possible *because they hate the coercion* involved in forcing individuals to support the pet projects of others. Alone among political movements, they regard themselves as consistently in favour of all aspects of individual freedom.

It comes as something of a surprise to see Mr Murray, the author of *The Bell Curve* and other influential books on social policy, pinning his colours to the libertarian mast. He appears a little uneasy about this: in the preface he remarks that he is only a "lower-case" libertarian and still regards Edmund Burke, the great conservative thinker, as a hero. He supports government financing of education, a policy that would horrify some libertarian purists who believe this should be the responsibility of parents.

But Mr Murray is worth reading when he recycles arguments from his own books about personal responsibility and the role of government. Look at your own life, he says, and ask what has made you happiest. The chances are it will be something for which you shouldered the primary responsibility.

His utilitarian argument against big government is that it reduces the sphere within which individuals have responsibility for their own lives. It takes away the need for personal responsibility and initiative and, in so doing, reduces the sum of human happiness.

Mr Boaz has deeper roots within the libertarian movement. A mainstay of the Cato Institute, perhaps the most influential libertarian think-tank in the US, he has spent most of his adult life actively campaigning for personal freedoms and smaller government. His book provides a useful potted history of the philosophy *and gives readers numerous* references to other books and authors.

While Mr Murray provides an idiosyncratic personal interpretation of libertarianism, Mr Boaz is more self-effacing. Rather than claiming to be the greatest intellectual authority on libertarian thought, he offers himself as a conduit to a political tradition. And he works hard to show that this tradition is peculiarly American. For Boaz, the basic libertarian creed is to be found in the ringing phrases of Thomas Jefferson's Declaration of Independence.

The books will certainly appeal to those who already feel sympathetic to the libertarian cause. But I wonder if either author does enough to allay the concerns of the majority of readers who may be instinctively hostile.

It is easy to see why the rich, talented and healthy might favour a *laissez-faire* regime. But what of the majority who start out life with few material assets and only modest natural abilities? What reason do they have to vote libertarian? Why not support politicians who offer at least a little redistribution?

And what of the well-known "free rider" argument for taxation? I may be prepared to support the disadvantaged, but only on condition that everyone else does so as well. But how, short of a system of taxation, can I be certain that others will pull their weight?

There are other more technical difficulties: Mr Boaz, for example, grounds libertarianism on the assumption that people have "natural rights" to property that predate the formation of governments. But he ignores, rather than answers, the philosophical objections to such a theory.

Yet such cavils are perhaps beside the point. What popular accounts of any political philosophy have ever dealt properly with the objections to their creed? Mr Boaz and Mr Murray are propagandising on behalf of libertarianism. Their books provide a welcome stimulant in what is a stale political climate in Europe.

·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

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Freedom of Internet may be unmanageable

From Professor Ippei Wakabayashi.

Sir, Joe Rogaly's article "Knowledge, freedom and a poison pill" (March 15/16) is interesting and predictive. As he indicated, the Enlightenment secured democracy and freedom, though it contained a poison pill. This pill effect means that the state became increasingly powerful, the individual ever more free to choose, while intermediate institutions came to be less significant. Finally self-control was lost.

The ultimate fruit of the Enlightenment is the Internet environment. The most noticeable technical feature of the Internet is its two-way interactivity. Information does not flow one-way like traditional media. This two-way communication makes unimaginable freedom come true. Every user can choose what he or she wants from the enormous amount of resources available. Yet this may be an *information labyrinth* rather than an information resource. Who helps you when you lose your way in this kind of information labyrinth? How can you enjoy the infinite freedom?

In order to enjoy this freedom, we have to be able to decide for ourselves and act free from the outside authority. But this of choice created is too huge for most people to manage by themselves. Our personal ability to endure the tension to do such a difficult task is limited. Ironically, the powerful tool to liberate people from an authority-dependence syndrome seems to be producing more authority-dependent people.

We should not miss the most important point – that we have not been educated to be ready for participating in the two-way Cyberspace environment. Today's children will experience tomorrow's matured Internet on an everyday basis. When children lose their way in Cyberspace, parents should be the most familiar consultants or partners there as well as in the real world. Parents should not be just earnest consumers in the "education industry".

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More than psychology in buy-backs

From Mr Graeme Rankine.

Sir, In your article on stock splits and share buy-backs ("Philip Morris in $8bn share buy-back", February 27) you quote an analyst as saying that "The positive impact of a share price split is largely psychological".

There is evidence that contradicts this assertion. I co-authored a study recently published in the Journal of Financial and Quantitative Analysis showing that a sample of 1,275 two-for-one stock splits from 1975-1990 outperformed a bench-marked portfolio by about 8 per cent in the first year and 12 per cent in the first three years. These returns are on top of returns of about 3.5 per cent in the five days surrounding the split announcement.

The evidence suggests that managers consider the future prospects for the company before making the decision to split. Companies that *go ahead with the split* convey their confidence in its future performance and the market interprets this as good news. The evidence indicates that stock splits are not just a psychological phenomenon but a corporate event that conveys "real" information.

Graeme Rankine,
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Exceptions to the rule

From Mr Anant Sundaram.

Sir, In his review of *Breakup!* Tony Jackson makes the assertion that Mr Warren Buffett is the "... single most powerful rebuttal" to efficient markets theory ("Simple divisions", March 21). Not necessarily.

● When Mr Buffett makes an investment, he changes investor perceptions, and thus affects prices. The price move simply becomes a self-fulfilling prophecy.

● More importantly, not every investor has the luxury of ownership and control. Given the size of Buffett's positions, he has the ability to control corporate outcomes to suit his shareholder preferences (for example, fire the CEO or change the management, as he did with Salomon).

● Most importantly, in a world in which there are hundreds of millions of investors, it is not surprising that one or two of them are consistently lucky and outperform the market in a statistical sense. In any population with so many data points, there will always be a couple of data points that are truly outliers.

Anant Sundaram,
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US

Maastricht being used as a scapegoat

From Dr Konstantinos Karachalios.

Sir, As a citizen of Europe and supporter of its cultural, economical and political unification project, I feel quite embarrassed to see how politicians use the European Union as a scapegoat for their failures on national level.

The latest, and perhaps most severe, example is the German finance minister who recently announced he intends to cut social aid as a contribution to achieving the Maastricht criteria.

Whereas the gain from such a measure might be negligible, its impact on public opinion is quite devastating. Should we conceive the project of economic and monetary union as a neo-Darwinist selection process, where the weakest and poorest are forced to simply fade away?

If so, I propose a new word to describe this approach: euro-thanasia.

Konstantinos Karachalios,
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Unemployment, not EU, was the target

From Mr Glyn Ford MEP, Mr Clive Needle MEP and Mr David Thomas MEP.

Sir, It was wrong to describe the demonstration in Brussels to protest at Renault's decision to close the Vilvoorde plant with the loss of 3,100 jobs as anti-EU ("Over 40,000 marching workers unite in anger against EU", March 17). The protesters' anger was directed at the failure to protect the interests of ordinary citizens while creating the single market.

If EU officials have anything to fear it is that many Europeans are not prepared to accept a Europe that consigns 18m to unemployment.

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FINANCIAL TIMES

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Thursday March 27 1997

A trade with the unions

New Labour has paid its debt to organised labour, but the price might be higher than the party thinks.

Britain's trade unions have persuaded party leaders that if they win the election, they will require employers to recognise a trade union for bargaining purposes if a majority of the relevant group of workers votes for recognition.

This would not improve Britain's prosperity. Nor would it do much for labour relations. The provisions for union recognition introduced by the last Labour government in 1975 had little practical effect, either on union membership or on bargaining patterns, before they were repealed five years later.

It may be argued that workers who would like a union to speak for them should be given some protection against an employer who simply refuses to listen to their negotiator. In such cases, it will be said, a legal right to recognition would be a fair balance against the powerful restrictions now placed upon union activities.

This argument seems plausible, as far as it goes. Unfortunately it soon becomes mired in detail, as was shown this week by the confusion on Labour's front bench about how disputes would be settled. This is not a trivial matter. Any law on union recognition will generate disputes not only with employers, but between unions.

So, if such a law is to work effectively, it must provide clear answers to three questions. First: if recognition depends on a ballot of workers, which group should be eligible to vote? All in one company, in one site, or in one division? Draftsmen along with dishwashers, or each separately? Such distinctions go to the heart of Britain's past labour troubles.

Second: how many members must a union have gained before it can ask for a ballot? Employers may rightly object if an upstart union were to use the ballot as a lever to gain members. Third: where rival unions are competing for power, who will decide which should be allowed to ballot? Would this compromise the rights of workers to choose a union?

The Labour party has not yet shown that it knows the answers to these complex questions. Even if finds them, there is a further difficulty: who should resolve the inevitable disputes, and could an arbitrator command the respect of both sides? The conciliation service, Acas, which might seem the obvious body, has not shown any enthusiasm for the job. The reason is not hard to find: Labour's proposal will do little good. If poorly implemented, it might do considerable harm by reviving some of the rancour and demarcation disputes from which the UK labour market has been largely emancipated in the last 18 years.

Voo-don't

Once a bad idea has been planted in the minds of policymakers it can take a very long time to uproot it. This makes one aspect of the ongoing budget negotiations between the US Congress and the White House worth celebrating. As usual, the options for balancing the budget proposed by each side range from the sensible to the deceptive. But at least neither side seriously suggests that cutting taxes will actually make the deficit even lower.

It was back in the late 1970s that a young conservative economist, Arthur Laffer, started drawing pictures of his eponymous "tax curve" on napkins and a presidential candidate, Ronald Reagan, decided he would try it out in practice. The attractions of the curve were obvious: it said politicians could have more cake *and* eat it, because cutting taxes would reduce public borrowing and spur growth at the same time.

Mr Bob Dole's failure to excite the voters with a Lafferesque plan for cutting taxes in last year's presidential elections suggested that the public is no longer willing to buy such nonsense. And to judge by the latest twists in the budget talks, politicians at both ends of Pennsylvania Avenue have taken this lesson to heart.

Mr Newt Gingrich, the House Speaker, enraged many Republicans in Congress last week by suggesting they might agree a plan to balance the budget, before delivering on the $145bn in tax cuts they promised voters last year. But President Clinton has cautiously welcomed the idea. This suggests that the budget-balancing, and tax-cutting, aspects of this year's negotiations may end up proceeding along separate tracks.

This does not mean that Republicans have stopped wanting tax cuts. Indeed, a majority is unlikely to sign up to any balanced budget medicine without a guarantee of tax-cut jam to follow. But treating tax cuts separately would at least make clear the trade-offs involved, since any reductions in taxes would have to be matched by spending cuts for the balanced budget plan to remain intact.

The spirit of the supply-siders lives on in the Republicans' determination to achieve tax cuts of some kind before the year is out. Before the revolution, Republicans were the party of fiscal prudence, remembered for increasing taxes if budget balance required it, even (under President Hoover) in the midst of the Great Depression. The 1980s changed that for good. Both parties now feel obliged to cut taxes, even at the risk of overheating the economy and further distorting spending patterns. At least, though, they no longer pretend that such cuts will pay for themselves.

Rough straits

Dr Mahathir Mohamad, Malaysia's prime minister, was abroad yesterday when his government suspended fresh bilateral dealings with Singapore. But the move reflects the unmistakeable style of a man known for his penchant for histrionics, most notably in the affair of the Pergau dam.

Since Singapore is just a small island at Malaysia's tip, the outside world might feel tempted to sit back and enjoy watching the sparks fly. But care is called for on both sides: sparks can cause blazes.

The flames would not need fanning much to undermine stability in a region which is one of the high points of Asia's economic success. That would raise broader strategic concerns because of the importance of the shipping lanes through the Malacca Strait.

The immediate reason for the dispute is a set of disparaging remarks by Mr Lee Kuan Yew, Singapore's senior minister, about crime in Malaysia's southern state of Johor. That the affair rankles despite an abject apology reflects deep-seated suspicion between ethnic Malays who dominate Malaysia and the Chinese majority in Singapore.

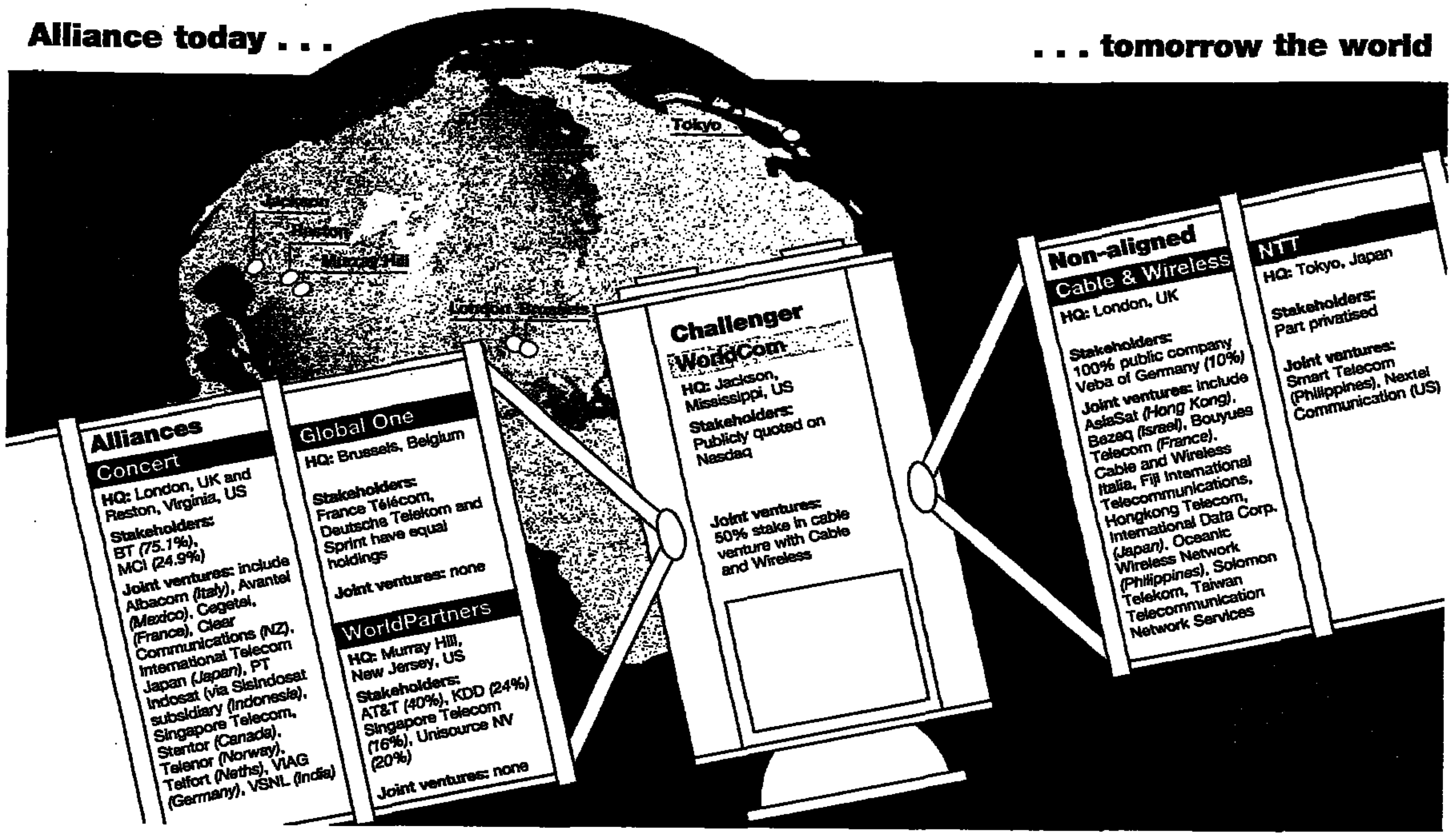
Singapore indeed owes its existence as an independent state to the fact that it was thrown out of the Malayan federation in 1965. Since then the two countries have co-existed uneasily. All sides know that racial tensions lurk below the surface. Recent racially-inspired riots directed against the Chinese minority in Indonesia make this a regional concern.

Mr Lee's remarks, in what was supposed to be a confidential court affidavit, were so insulting as to be absurd. Had similar statements been made publicly by a foreigner about Singapore, some in that litigious society might have felt tempted to sue for libel.

Statesmanship suggests, though, that Dr Mahathir ought to be able to ride above such a storm. Instead he appears to have done little or nothing to restrain the youth wing of his party from seeking reprisals.

Perhaps the motive was to prise concessions on projects Malaysia is pushing. This might then go down as another occasion when Dr Mahathir has used tantrums to useful effect. His unpredictable outbursts have secured him a profile that far outweighs the importance of a country of just 20m people.

Closer to home the price may be steep. It is not only the grave risks inherent in open confrontation with neighbours. Malaysia itself will be divided if its sizeable Chinese minority is alienated as a result. Asian values call for calm and consensus. It is time they were applied.



Everybody is talking

Alliances are being welded and broken almost daily as global telecommunications groups jostle for position, says Alan Cane

Mr Michel Bon, France Télécom's genial chairman, sighs reflectively: "Every week another investment banker comes to me with a grand design. All their ideas have intelligence. Making them work is another story."

Mr Bon is referring to the rash of strategic global alliances involving the world's telecommunications operators as they head into a future in which the only certainties are increased competition, growing pressure on revenues and sustained technological change.

It is difficult for those outside the industry to comprehend what is happening – and not much easier for insiders. Companies create and terminate partnerships with bewildering frequency, egged on by investment bankers keen to win fees for masterminding ever smarter deals.

Hugely complex charts, illustrating the alliances, partnerships, trading relationships and distributorships formed by the world's operators, have to be updated almost daily.

"My God, what a promiscuous industry this is!" the newly appointed non-executive director of one big operator exclaimed in disbelief after his first board meeting.

Three principal groupings are emerging: Concert, an alliance between British Telecommunications and MCI of the US; Global One, a joint venture between Deutsche Telekom, France Télécom and Sprint, the US long-distance operator; and WorldPartners, a co-operative partnership led by AT&T, the largest US carrier, which includes Unisource, an alliance of smaller European operators.

Some operators remain non-aligned – principally NTT of Japan and Cable and Wireless, a UK-based operator with extensive international interests. Both believe themselves big enough to take on a global role without joining an existing alliance.

New challengers are emerging, such as WorldCom of the US – small compared with the big carriers but fleet of foot and combining long-distance transmission, local presence and Internet access, which are reckoned to be the vital assets for success.

But the telecoms world continues to be dominated by a ceaseless round of alliance-building – and some brutal divorces.

In the past two weeks it has become clear that both Deutsche Telekom and France Télécom are keen to form a relationship with Cable and Wireless. The move would give Global One a foothold in the important UK market and the Asia/Pacific region, where C&W is the majority shareholder in Hongkong Telecom.

At the same time, Telefónica of Spain may be prepared to pull out of its 25 per cent stakeholding in Unisource, with a view to forming a new alliance with Concert. Telefónica, the dominant operator in South America through stakes in a number of national carriers, has been seeking a US partner to exploit the valuable telecoms routes between North and South America.

Telefónica is already linked to AT&T through Unisource, but Mr Juan Villalonga, Telefónica's extrovert chairman, illustrated the fragility of some alliances when he noted: "AT&T is a very important girlfriend for Telefónica, but it is not a marriage."

The only certainty, as public relations managers for the operators repeat, is that "in this industry, everybody talks to everybody else all the time".

History dictates it should be so. The telecoms industry has traditionally operated through co-operation rather than competition, through price-setting rather than price rivalry. For the greater part of the industry's history, operators have been state-owned national monopolies, enjoying monopoly profits and free to operate the notorious "international accounting system" – the cartel through which operators charged their customers inflated prices for delivering international calls.

Now the topology of the industry is being fundamentally reshaped. The old correspondent system for the provision of cross-border telecoms traffic is gradually being supplanted by interconnect agreements – formal published tariffs for delivering calls. Co-operation between telecoms operators is being replaced by strategic alliances in the form of competing global groupings.

"Non-cooperative walls are already forming between telecoms operators belonging to different alliances," according to Mr Tim Hills and Mr Graham Johnson, senior consultants with Analysys, an international group which advises governments on telecoms strategy.

"This process will continue and strengthen, leading to the partial capture of operators by separate alliance blocks. The search for alliance partners will become increasingly strategic as the alliances strive to extend their geographic coverage."

An extended period of uncertainty and convulsion to be expected as operators compare the benefits of one alliance with another. "The evolution of the modern telecommunications business *is still* in its infancy," says Mr Richard Brown, chief executive of Cable and Wireless. "What we are seeing today is the beginning rather than the end. The fun is only just beginning."

The catalyst for this shift from co-operation to competition is the slow but certain liberalisation of the world's telecoms markets. Only about 20 per cent can be considered truly open – they include the US, the UK and, among the smaller nations, Sweden and New Zealand.

Over the next decade, however, the majority of countries will open their market to full competition, under an agreement involving about 70 countries, negotiated earlier this year through the World Trade Organisation. Foreign operators will be able tackle incumbents on their own territory and take substantial or complete equity stakes in local operators.

The evidence from countries such as the UK, where markets have been liberalised for some years, is that competition drives down prices and increases traffic. Individual operators find their profits squeezed and are forced to seek new products and new markets to sustain revenues.

Most observers believe there will be a hierarchy of operators in future: a small number of large alliances; some independent operators which are large enough to maintain a global presence without partners; and a number of small operators which secure their future in niche markets.

Among the large companies, however, the successful operators will be those capable of operating both globally and locally. Today's global alliances have been established to serve the needs of large, international customers looking for seamless services across the globe, a single point of billing and the cost-benefits of advanced technology. Virtual private networks, for example, provide the benefits of expensive leased lines for the cost of conventional telephone calls.

Lucrative though the business of the big multinationals is, it will not be enough. Neither Concert nor Global One is profitable or likely to be for some time. Both claim extensive customer lists, but few of their customers believe they are providing a truly global service.

The bigger customers are only a small part of a worldwide telecoms market valued at about $700bn this year and likely to exceed $1,000bn by 2000. Concert, Global One and WorldPartners will have to turn to smaller businesses and individual personal customers to create a profitable and sustainable business.

Mr Hills and Mr Graham of Analysys, the consultancy, say the emergence of Concert, Global One and WorldPartners marks the end of the first phase of the revolution: "The second phase of the alignment is under way as global operators seek joint ventures and partnerships with local companies to gain access to national markets worldwide."

This explains why other operators are attracted to Cable and Wireless, with its broad but seemingly haphazard local partnerships, and to Telefónica, with strength in South America. Other companies that could prove attractive to alliances as they jockey for position may include the internationally spread mobile operators, Airtouch of the US and Vodafone of the UK.

Mr Andrew Harrington, chief telecoms analyst with Salomon Brothers, leaves little doubt that the industry is set for extended instability: "This striving for global presence should result in significant changes of ownership of telecoms assets as the three global carriers, Concert, Global One and WorldPartners, expand geographically."

· OBSERVER ·

Big wheels in business

■ Sensitive to the power of French trade unions, insurance group Axa has reiterated promises that there will be no "collective" redundancies following its merger with rival UAP. But there are some corporate excesses which just can't be swept under the carpet.

Take, for example, the car fleet. Senior Axa managers sheepishly admitted yesterday that their counterparts at UAP were, well, a trifle fond of big shiny motors. Since the two companies began the huge task of integration, a total of 29 chauffeur driven cars have come to light. The annual bill for giving this collection a weekly polish was estimated at about Ffr250,000 (£28,000).

Whatever the unions say, the company is determined to prune the extended family of chauffeurs to just four. Apply in writing if you want to buy a second-hand, but very shiny, limousine.

Inside job

■ South Africa's political elite continue to feel the full force of the country's high crime rate. Last week the home of Public Protector Selby Baqwa was looted of electrical appliances while he was out on official business. Now the crack National Protection Service – a special police unit that is supposed look after VIPs – is being purged of light-fingered elements after a wave of petty thefts from ministers.

Among the items to have gone missing in recent weeks are: finance minister Trevor Manuel's gold watch, deputy president Thabo Mbeki's hi-fi and defence minister Joe Modise's clock radio. Prison service minister Sipo Mzimela – who's advocated a tough line for offenders – even had his leather jacket pinched.

But worst hit of all could be interior minister Mangosuthu Buthelezi, who told parliament that both his Cape Town and Pretoria homes had been robbed. "A compact disc player given to me by a friend in the United States was stolen in Cape Town and a big wall clock was stolen in Pretoria," he said, adding that he's also lost some prized cutlery and a coffee table.

Son rising

■ The generational change at Televisa, the largest media conglomerate in the Spanish-speaking world, has put the skids under the Mexican company's stock. Investors are worried that Emilio Azcárraga Jean, Televisa's new 29-year-old chief executive, may have inherited control of his father's $4bn empire without any of the patriarch's business acumen.

His academic qualifications - an unfinished degree in Mexico and a marketing diploma from a California university – hardly inspire confidence. And among the Mexican elite, Azcárraga Jean is better known for pranks than dedication to hard work.

At a recent high society wedding, one of the guests recounts, Azcárraga Jean arrived with his usual cohort of body-guards and proceeded to hand-cuff the bridegroom to his chair; the joke wore thin after a couple of hours. Let's hope Televisa shareholders don't have their patience as sorely tested.

Fine art

■ Suez and Lyonnaise des Eaux, two of France's corporate giants, are playing coy about the marriage which everyone expects but no one will confirm. But anyone still looking for clues should have attended Tuesday evening's private view of the "Paris-Brussels" art exhibition at the Grand Palais in the French capital.

The invitations were issued by Suez, the show's main sponsor, but who should turn up but top executives from Lyonnaise, investment bankers advising on the deal, and a sprinkling of important shareholders including Belgian financier Albert Frère.

As the guests drifted towards their cocktails at the end of the show, they moved without noticing through two rooms of an adjacent exhibition – "Angkor and 10 centuries of Khmer art", sponsored by none other than Lyonnaise des Eaux.

Volume trade

■ With all the fuss about the planned flotation of US Internet bookseller Amazon.com, it's easy to forget that the British got there first; the Oxford-based Internet Bookshop made its debut on London's Ofex share market last week. And it's so far so good for the company headed by 32-year-old former computer prodigy Darryl Mattocks. Shares in the listed company – called bookshop.co.uk – have been trading at about £2, or double the price at which stock was placed to raise £1m.

Despite being first to the stock market, though, the company admits that, in the book trade, it lags in second place behind Amazon. The Internet Bookshop offers a mere 900,000 titles compared to 2.5m by its US rival. But, with orders growing at nearly 20 per cent a month in the run-up to the float, the plot could thicken.

The Financial Times

100 years ago

The Cuban Budget
The Cuban Budget for the next fiscal year is by no means promising. When people are employed in cutting each other's throats, it is impossible to attend to such minor matters as taxes. The Havana correspondent of The Times considers that $15,000,000 of revenue will be nearer the mark than the $30,000,000 estimated.

Avoid This Hotel
It is stated that an attempt will shortly be made to sell the Grand Hotel, Monte Carlo, to an English company. The hotel has had a good reputation, and was at one time a leading hotel, but at present the management is worse than bad, and the hotel is deserted by English visitors. English investors should, therefore, give a wide berth to this promotion.

50 years ago

German Assets In Portugal
Agreement on the future of German assets in Portugal is believed to be imminent after nine months' negotiations between a commission representing British, American and French interests and the Portuguese authorities. An official announcement is expected next month.

FINANCIAL TIMES
Thursday March 27/Friday March 28

Malaysia's rift with Singapore deepens

By James Kynge in Kuala Lumpur

Malaysia is to suspend the awarding of new contracts to Singaporean companies as relations between the two south-east Asian neighbours plunged to their lowest point in more than 30 years.

The Malaysian announcement yesterday followed derogatory remarks by Mr Lee Kuan Yew, Singapore's senior minister, made public earlier this month.

According to Bernama, Malaysia's state-controlled news agency, diplomatic relations will be maintained but there will be no new bilateral contacts between governments nor meetings between members of the ruling political parties.

The development is the most serious falling out between the two countries since Malaysia ejected Singapore from a two-year union in 1965.

Mr Lee, the founding father of Singapore and still a powerful cabinet figure, described the southern Malaysian state of Johor, which borders Singapore, as "notorious for shootings, muggings and car-jackings". He later apologised unreservedly, and Malaysia's cabinet accepted his gesture.

However, Bernama reported that an unnamed Malaysian minister said as he left a cabinet meeting yesterday that Kuala Lumpur wanted ties cooled on "anything to do with Singapore". There was no formal announcement, but such Bernama reports are invariably officially sanctioned.

The suspension echoes a ban that Malaysia slapped on new contracts for British companies in 1994, after a UK newspaper alleged a British company had tried to offer bribes to Dr Mahathir Mohamad, Malaysia's prime minister.

Financial market analysts said they expected Malaysia's move would depress sentiment on Singapore's stock exchange today and would make for turbulent trade in the Singaporean dollar. Analysts said, however, that there were few Singaporean companies which stood to lose from the development because few, if any, appeared to be in line to win Malaysian government contracts.

Nevertheless, the vague nature of Malaysia's statement may unnerve the financial community because it leaves many questions unanswered. One key issue is whether Malaysia would consider limiting the crucial fresh water it supplies to its neighbour.

Despite the acceptance of Mr Lee's apology, Malaysia's press – which has close government links – has been fuming over what it regards as insufficient contrition shown by other members of the island's government, especially Mr Goh Chok Tong, prime minister, and Mr S. Jayakumar, foreign minister.

If the animosity lingers, there is much at stake for both sides. Singapore is Malaysia's largest foreign investor and Malaysia is Singapore's second biggest trading partner after the US.

Editorial Comment, Page 17

S Africa sells 30% of Telkom in $1.25bn deal

By Roger Matthews and Mark Ashurst in Johannesburg

The South African government yesterday completed the R5.58bn ($1.25bn) sale of a 30 per cent stake in Telkom, the state monopoly supplier of fixed line services, to a consortium formed by SBC International of the US and Telekom Malaysia.

The deal is the biggest partial privatisation in sub-Saharan Africa and represents the largest single foreign fixed investment in South Africa since the African National Congress came to power in 1994.

The sale provides the first fruit of the government's programme to restructure the state sector and should be of political benefit to the ANC by speeding up the delivery of basic services to the black majority.

Mr Thabo Mbeki, deputy president, countered trade union opposition to privatisation, saying the deal would create 50,000 jobs in the telecommunications sector alone.

Following yesterday's sale, which values Telkom at R18.57bn, the company is committed to capital expenditure of R53bn over the next five years, almost doubling the size of its current programme. It aims to deliver 2.7m lines over the period and to install 120,000 pay phones. It will replace 1.25m analogue lines with digital lines.

Telkom has been guaranteed a five-year period of exclusivity which could be extended by a year if the newly constituted company achieves 90 per cent of its performance targets at the end of the fourth year.

Mr Jay Naidoo, minister of posts and telecommunications, said South Africa aimed to become the African hub of global telecommunication traffic, and this had been reflected in both the selection of the consortium and the price achieved.

SBC will own 18 per cent of Telkom, and Telekom Malaysia 12 per cent. The consortium will appoint five directors and the government 10.

See Lex
Everybody is talking, Page 17

Blow to German hopes on reconciliation with Turkey

By John Barham in Ankara

Mr Klaus Kinkel, Germany's foreign minister, yesterday failed to make headway in attempts to repair deteriorating ties between Bonn and Ankara at the start of a two-day visit to Turkey.

Mr Kinkel said Germany accepted that Turkey was a part of Europe but warned against expecting rapid membership of the European Union, citing the country's human rights record and economic problems.

Mr Kinkel decided to visit Turkey to try to improve relations after conservative European leaders, including German chancellor Helmut Kohl, this month said Turkey was "not acceptable" as a member of the EU. Membership is the centrepiece of Turkish foreign policy and Ankara is lobbying hard to join the 11 mainly eastern European countries that the European Commission lists as potential members.

Mr Kinkel's visit started going wrong even before he arrived in Ankara. He delayed his departure on Tuesday night after Mr Necmettin Erbakan, Turkey's Islamist prime minister, said European leaders should "bow their heads when they talk with Turkey". He added: "Nobody can give Turkey the 'do this, do that' treatment. The new world leader Turkey will receive the respect and treatment which it deserves."

Mr Kinkel said in Ankara: "I do not intend to apologise and hang my head in shame. If your prime minister's statements had not been denied, I would not think of coming to Turkey." However, before seeing Mr Kinkel, Mr Erbakan said: "We have been saying this for a long time."

The worsening relations between Turkey and the EU and its most important member are also alarming the US, which is pushing hard for Ankara to be accepted into European organisations and stem the rise of Islamists in the officially secular state.

Ankara officials say its customs union with the EU strengthens Turkey's eligibility, as does its membership of Nato. Officials warn Ankara could veto Nato enlargement this summer, scrap the customs union and annex northern Cyprus if denied EU membership.

However, Mr Kinkel said yesterday: "Turkey is a very important member of Nato. Turkey's strategic importance gives it responsibility and Turkey should show this responsibility over Nato's enlargement." He added: "Turkey has serious problems with the EU. Turkey's EU membership will not come in the near future because of human rights problems, the Kurdish problem, problems with Greece and economic problems."

Mrs Tansu Çiller, foreign minister and deputy prime minister, responded: "There is no Kurdish problem in Turkey. All of our citizens are first class citizens."

THE LEX COLUMN

Daimler delivers

After Krupp's aborted bid for Thyssen and disappointments at Hoechst and Siemens, investors should take heart that at least one German restructuring story is still on the straight and narrow. The DM2.4bn ($1.42bn) of operating profit announced by Daimler-Benz for 1996 was around 20 per cent above expectations and the group is once more paying a dividend.

The figures have been flattered by a stronger dollar and the release of currency and restructuring provisions, which yesterday's preliminary figures failed to detail. But Daimler is reaping the benefits of the big rationalisation of the past two years as well as another strong performance by Mercedes cars. And, despite progress to date, there is still huge potential for improvement. Daimler's return on capital was barely 5 per cent last year and Mr Jürgen Schrempp, its chairman, claims he will raise that to 12 per cent by 1998 – implying operating profits of DM6bn. Just reaching break-even in aerospace, European trucks and micro-electronics should get the group most of the way there. On top of that, Mercedes plans nearly to double volumes to 1.1m cars over the next three years as it cranks up production of smaller models such as the A-class.

The share price, which has more than doubled since Mr Schrempp took over the reins in May 1995, now looks expensively rated. But given the scope for more positive surprises, Daimler is still worth backing.

Stars/teams

Whenever an investment bank slips these days, there is much hand-wringing about how the so-called star culture is perverting the industry. Look at Barings' Mr Nick Leeson or Deutsche Morgan Grenfell's Ms Nicola Horlick. The individual circumstances in each case are very different, but the common element, the anti-star brigade allege, is that each was a star. And what is their remedy? Abolish stars and bring in teams.

There is much nonsense in this thinking. True, investment banks – and other organisations – sometimes suffer from giving their heavy hitters excessive leeway. And the heavy hitters can easily have an exaggerated sense of their own importance. But the notion that individuality should be squashed is a recipe for mediocrity.

Moreover, the supposed dichotomy between stars and teams does not stand up to serious examination. One only has to look at football to realise that successful teams need players with flair. Stars can help inspire the whole team and lift its game. Equally, in professional football, nobody scores goals by hogging the ball. So one of the criteria for being a football star is that one is also a team player, as exemplified by the world's most expensive striker, Alan Shearer. The links between the success of the star and the team are as important in investment banking and industry as in professional sport. Sensible employers recognise that and motivate staff accordingly.

South Africa

It may not have been the world's smoothest privatisation – only a single bidding consortium was left by the end – but the sale of 30 per cent of Telkom is nevertheless quite a coup for South Africa's government. Since the bulk of the proceeds is going straight to Telkom, the deal will not do much to help the country's public finances, but the real prizes are elsewhere.

For one thing, a $1bn injection from Telkom's new strategic partners, SBC International and Telekom Malaysia, will dramatically relieve the pressure on Telkom's stretched balance sheet. That should strengthen its chances of delivering a badly needed step change in investment. The problem is colossal; there are more phone lines in Manhattan than in the whole of sub-Saharan Africa. So the economic payoff from connecting up a bigger share of the population should be great. Hence the logic of the new regulatory regime for Telkom, which gives the company a powerful incentive to deliver on its investment targets. But the deal also has symbolic significance. South Africa's trade unions are none too keen on privatisation, and the links between the unions and the ruling African National Congress are strong. The fact that the government has cheerfully pushed this transaction through suggests the prospect of future privatisations needs to be taken seriously. That should not just provide some intriguing opportunities for foreign investors – it is also a tonic South Africa's economy needs.

Red chips

Hong Kong's red chips, or Chinese-controlled Hong Kong companies, are red hot again. Citic Enterprises's shares leapt 317 per cent on their first day of trading, and red chips have out-performed the stock market by around 60 per cent in the past year. With Hong Kong's reversion to Chinese sovereignty just three months away, investors are betting that these companies become the equivalent of the old British trading groups like Jardine Matheson. Red chips now have a market capitalisation of over US$32bn.

If one assumes they would trade at a market average price-earnings ratio without their China connections – arguably they should be at a discount, given the quality of management – connections are being valued at more than US$11bn. This seems absurdly generous. In 1993, Chinese car manufacturer Denway attracted US$90bn from would-be investors in a small share offering. Four years on, its shares are half the offer price. The stock market is littered with the corpses of poorly managed China plays. Moreover, the supply of new red chip shares is growing at a fantastic pace.

Large goodwill premiums may be justified if an influential Chinese parent is likely to inject underpriced assets in exchange for overpriced shares in its listed subsidiary, as happened with Citic Pacific. And companies like China Resources have attractive assets, good connections and a strong incentive to succeed in Hong Kong. But the latest rally has treated all red chips equally. And blindness causes accidents.

See additional Lex comment on Sears, Page 25

Daimler-Benz back in black

Continued from Page 1

the biggest loss in German corporate history, and to the writing back of provisions for future taxes.

Results in 1995 were hit by extraordinary charges connected with the group's restructuring, which involved the disposal of lossmaking businesses, job losses and a streamlining of management.

Analysts attributed the improvement in Daimler's 1996 results to favourable exchange rates and a strong contribution from Mercedes-Benz, which accounts for about three-quarters of group sales.

Italian parties back mini-budget

Continued from Page 1

at a meeting with the government it failed to obtain any concessions. Mr Giulio Tremonti, the finance expert of the right-wing opposition, attacked the move as a "tax on productivity and jobs which will create unemployment" and dismissed other measures as "accountancy tricks". Many details remained to be finalised, but only a third of the package will come from spending cuts.

Mr Carlo Azeglio Ciampi, the treasury minister, meanwhile rejected calls made earlier this week for a delay in the implementation of European economic and monetary union.

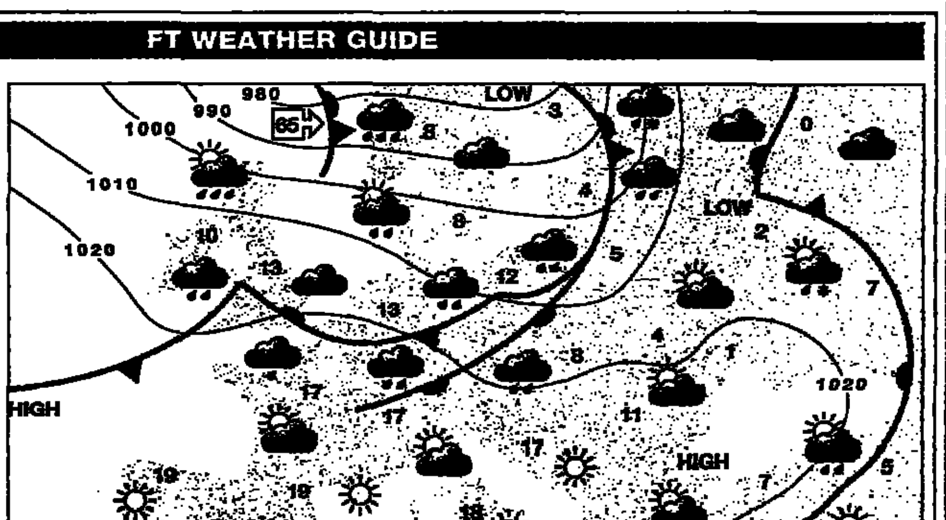
FT WEATHER GUIDE

Europe today

The UK and the Benelux will be windy and cloudy. Ireland, England and Belgium will have rainy periods. Patches of rain will also occur in northern France but southern France, the Iberian peninsula, Italy and the Balkans will have plenty of sun. North of the Alps, cloud and rain is expected in Germany, the Czech Republic, Poland, the Baltic states and most of Scandinavia. South-eastern Europe will have cloudy periods and eastern Greece and the eastern Mediterranean may have showers.

Five-day forecast

The UK and north-western Europe will continue unsettled tomorrow. During the weekend, high pressure will produce dry and calm conditions. Southern France, Spain and Italy will be sunny and dry but south-eastern Europe will turn changeable.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Beijing	fair 17	Caracas	fair 29	Faro	sun 20	Madrid	sun 20	Rangoon	sun 37
	Celsius	Belfast	shower 11	Cardiff	rain 14	Frankfurt	rain 16	Majorca	fair 19	Reykjavik	cloudy 0
Abu Dhabi	sun 24	Belgrade	sun 13	Casablanca	fair 21	Geneva	fair 19	Malta	fair 17	Rio	fair 29
Accra	thund 31	Berlin	rain 14	Chicago	fair 19	Gibraltar	windy 18	Manchester	rain 13	Rome	sun 18
Algiers	shower 17	Bermuda	fair 23	Cologne	rain 15	Glasgow	shower 10	Manila	shower 33	S. Frsco	cloudy 18
Amsterdam	cloudy 12	Bogota	thund 20	Dakar	fair 23	Hamburg	rain 12	Melbourne	fair 28	Seoul	fair 14
Athens	fair 12	Bombay	sun 32	Dallas	rain 22	Helsinki	sleet 2	Mexico City	shower 27	Singapore	thund 33
Atlanta	fair 24	Brussels	rain 14	Delhi	sun 31	Hong Kong	fair 21	Miami	fair 29	Stockholm	cloudy 8
B. Aires	sun 25	Budapest	cloudy 11	Dubai	sun 25	Honolulu	fair 28	Milan	fair 19	Strasbourg	drzzl 17
B.ham	rain 14	C.hagen	shower 8	Dublin	drzzl 12	Istanbul	fair 7	Montreal	sun 5	Sydney	fair 26
Bangkok	shower 38	Cairo	cloudy 21	Dubrovnik	sun 16	Jakarta	shower 31	Moscow	cloudy 0	Tangier	windy 19
Barcelona	sun 18	Cape Town	fair 24	Edinburgh	shower 11	Jersey	rain 12	Munich	rain 16	Tel Aviv	cloudy 20
						Karachi	fair 33	Nairobi	shower 29	Tokyo	rain 16
						Kuwait	sun 22	Naples	sun 17	Toronto	cloudy 8
						L. Angeles	fair 22	Nassau	fair 29	Vancouver	rain 9
						Las Palmas	shower 22	New York	sun 15	Venice	fair 16
						Lima	cloudy 25	Nice	sun 18	Vienna	drzzl 13
						Lisbon	sun 21	Nicosia	shower 14	Warsaw	rain 11
						London	cloudy 15	Oslo	cloudy 8	Washington	sun 23
						Lux.bourg	rain 13	Paris	drzzl 17	Wellington	fair 17
						Lyon	fair 20	Perth	fair 25	Winnipeg	snow 2
						Madeira	fair 19	Prague	rain 13	Zurich	fair 15

FINANCIAL TIMES
COMPANIES & MARKETS
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IN BRIEF

Sears fails again on Freemans sale

Sears, the retail conglomerate, further disappointed already disgruntled shareholders with news that a second attempt in less than three months to sell the mail order business Freemans for £395m ($628.1m) had collapsed. Page 25

Euro Disney rules out new theme park
The new chairman of Euro Disney – operator of the Paris-based theme park – Mr Giles Pélisson ruled out the creation of a second park before the start of the next millennium. Page 21

Veba plans NYSE debut in October
Veba, the German energy and industrial conglomerate, unveiled plans for a New York Stock Exchange debut on October 8 to spur the group's internationalisation. Page 21

Lonrho may float off motor distributor
Mr Nicholas Morrell, Lonrho's chief executive, indicated the conglomerate may float off its UK motor distributor, Dutton-Forshaw Group. Page 25

Anglo American begins key investments
Anglo American, South Africa's biggest corporation, is to go ahead with two substantial strategic investments at operations in its domestic market. Page 30

Nestlé shares leap 4% on income rise
Shares in Nestlé, the world's biggest food company, jumped 4 per cent, after it announced a 16.6 per cent rise in net income to SFr3.4bn ($2.34bn) – its best performance in seven years. Page 22

Citic Pacific sees profits double
Citic Pacific, the Hong Kong arm of China's flagship investment vehicle, announced profits last year had more than doubled to HK$6.86bn (US$886m) as exceptional gains boosted an underlying rise of almost 20 per cent. Page 24

Argentina set to privatise airports
The Argentine government is to issue a presidential decree putting 21 of the country's 59 airports in private hands by August. Page 20

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				**Rises**			
Adidas	189.5	+	5.5	CSP	1750	+	81
BMW Prf	885	+	55	Elf Aquitn Cts	515.0	+	19.5
Preussag	476.0	+	22.3	Lafarge	388.8	+	14.6
Rheinmetall	315	+	13	Schneider	320.7	+	19.9
Varta	288	+	13	Simco	550	+	18
Veag	789	+	29	Suez	292	+	11
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Amer States	35	+	2¼	Sumitomo Chem	479	+	24
Ceridian	37	+	2½	Tobishima Corp	250	+	41
Foodbrands Am	23¾	+	7¼	**Falls**			
Physicians Res	13¾	+	2¼	Fudo Constn	436	−	22
Stat Societa A	35	+	2	Japan Airlines	480	−	23
Falls				Nisshinbo Ind	843	−	32
Amer Pwy	17½	−	4½	Toei	737	−	34
LONDON (Pence)				**HONG KONG (HK$)**			
Rises				**Rises**			
CPS Group	64½	+	8	China East Air	2.30	+	0.12
Drew Scientific	79	+	19	Henderson Inv	8.2	+	0.45
Dunlop Group	155½	+	24½	Silver Grant	8.3	+	0.4
Peddiblion	476½	+	45	Tai Cheung	6.85	+	0.4
World Leather	121¼	+	30	**Falls**			
Falls				First Sign Intl	1.69	−	0.11
Unalight	80½	−	10	Playmates Toy	1.81	−	0.17
TORONTO (C$)				**BANGKOK (Baht)**			
Rises				**Rises**			
Band Ore Res	6.7	+	0.55	Eastern Wire	30.25	+	2.75
Datamirror	9.35	+	0.95	**Falls**			
Mitsquity Netwk	4.50	+	0.49	City Sports	25.25	−	2.75
Falls				Dhipaya Ins	58.5	−	6.0
Beacon Eye	4	−	1	Kiang Huat	87.0	−	9.5
Stressgen Bio	4.50	−	0.75	Pathai Co	17.0	−	2.5
Tee-Comm Elec	3.55	−	1.40	Post Publ	44.00	−	4.75

New York and Toronto prices at 12:30.

German group's earnings cut by losses at UK fund management arm

Deutsche Bank hit for $710m at MGAM

By Andrew Fisher in Frankfurt

Deutsche Bank, Germany's biggest bank, yesterday revealed that the failure of its UK fund management arm last year to stop Mr Peter Young making hidden investments with customers' money could cost it up to DM1.2bn ($710m).

This is the first time it has put a figure on the affair at Morgan Grenfell Asset Management (MGAM), although Mr Hilmar Kopper, the bank's chairman, said the final cost was not yet known as calculations were continuing.

The bank's earnings growth was held back by MGAM's problems, which arose from unauthorised investments in unlisted companies by three unit trusts.

The figure of between DM1.1bn and DM1.2bn mentioned by Mr Kopper is higher than previously assumed after the bank paid £180m ($286m) to support the unit trusts and said it would compensate investors by as much as £200m.

However, bank officials said the amount set aside was a maximum precaution and the final cost could be less. Together with a higher tax bill, the provisions to cover MGAM left net income 5 per cent higher at DM2.2bn. This was after rises of 37 per cent in both operating profits and pre-tax profits to DM5.8bn and DM4.9bn respectively.

Deutsche Morgan Grenfell, its investment banking arm, still faces a fine of more than £1m from City of London regulators because of its failure to stop Mr Young. Several executives were dismissed in the wake of the affair last autumn.

DMG also suffered unwelcome publicity over the suspension, and then the resignation of Ms Nicola Horlick, head of UK pension fund management, this year.

For 1997, Mr Kopper expressed optimism after the first two months produced a "nice plus" in net interest and commission income and a surplus in own-account trading. Costs had risen but the overall profit performance had been "gratifying".

Optimism: Deutsche Bank's Rolf Breuer found plenty to smile about in Frankfurt yesterday Reuter

"For 1997, we are confident overall," he added. Credit demand should remain buoyant in Germany at low interest rates, with the securities business also likely to be favourable.

Deutsche Bank would also continue expanding its investment banking activities, especially in Europe and Asia, and develop its private banking business. Mr Kopper, who will be succeeded as chairman in May by Mr Rolf Breuer, expected competition in financial markets to intensify, cost pressures to continue and the need for loan loss provisions to remain high.

Referring to the hostile takeover attempt by Krupp Hoesch for Thyssen, its steel and engineering rival, he said its abandonment in the face of political and labour pressure was not a setback for the bank, which was an adviser to Krupp. "We do not see this as harmful to our image," he said.

Wal-Mart plans big expansion of Internet shopping

By Richard Tomkins in New York

Wal-Mart Stores, the world's biggest retailer, yesterday said it was planning a massive expansion of its Internet shopping operation in the US, more than doubling the number of items available to about 80,000 by year-end.

If the goal is achieved, customers will be able to find at least as many items in the on-line store as they can in any of Wal-Mart's 2,000 out-of-town discount stores.

The expansion reflects growing enthusiasm about the prospects for Internet retailing. Earlier this week, Amazon.com, the Internet bookseller that bills itself as the world's largest bookstore, announced plans for a public offering of its stock.

Wal-Mart opened its Internet store last July with just 2,500 items on offer. Since then, it has embarked on a rapid expansion. Categories in today's virtual store include computers and computer software, automotive products, clothing, jewellery, non-perishable groceries and books.

About half the items are stocked in a dedicated Wal-Mart warehouse in Searcy, Arkansas. The rest are shipped direct by manufacturers.

When shipping costs are included, most items cost about the same as they would in the stores.

Although prices are lower when shipping costs are stripped out, Wal-Mart makes a similar profit because it saves the costs involved in retail outlets.

Wal-Mart's plans for its Internet store include big increases in its clothing range, which at present offers mainly jeans, T-shirts and underwear, and in the grocery department.

Though Wal-Mart is the most advanced big US retailer in providing Internet services, others are not far behind.

Ms Cathy Hotka, vice-president of information technology for the National Retail Federation, said: "All of the retailers we talk to about commerce over the Internet are excited about the possibilities.

"One of the main reasons is that people who work – especially women, who do a lot of the buying – can buy whenever they want to."

Avis raises £267m on return to London market

By Charles Batchelor, Transport Correspondent

Avis Europe, Europe's largest car hire group, returned to the London stock market yesterday priced at 124p, and moved to an immediate premium to close at 131½p. The indicated price range was 108p to 126p.

The group's second market appearance in just over a decade was in strong contrast to its first in 1986 when almost two thirds of the shares were left with the underwriters and it took several weeks for them to return to the issue price.

Avis is the latest company to take advantage of the favourable new issue market in Britain. As the general election on May 1 nears, political and interest rate uncertainties are expected to curtail issue activity.

The offer of 215m shares, 36.9 per cent of the equity, raised £267m ($424.53m) and valued the group at £722m. The proceeds will be used to buy out shareholders General Motors and Avis Inc of the US; the balance of £161m will be used to repay debt and finance expansion in central and eastern Europe and Asia.

Merrill Lynch, joint global co-ordinator for the issue, would not say how much the issue was oversubscribed.

Applications from retail investors were scaled down so they will receive 725 shares for the first £1,000, and 10 per cent of any application over £1,000.

D'Ieteren, the Belgian car importer which previously held 77.1 per cent of Avis's shares, has made up to 30m shares available to meet excess demand. It will retain a holding of 56.9-62 per cent.

Pre-tax profits are forecast to rise from £57m last year to £72m in 1998 and £83m the following year. This puts Avis on a prospective p/e of 14.7 for this year, a 2-3 per cent premium to the market.

But these forecasts depend on continuing growth of the European economies, a depreciation of sterling and further expansion of airline travel. Avis Europe's rivals Hertz, Avis Inc and Europcar are all hoping to float over the next few months. At present Avis Europe's only direct competition is Eurodollar, floated two years ago at 220p, fell to 65p and is currently trading at 136½p.

Générale des Eaux in talks with Time Warner on French cable sale

By David Owen in Paris

Générale des Eaux, the French diversified utilities company, is in discussions with Time Warner, the US entertainment and media group, over the possible sale of its French cable interests.

Mr Jean-Marie Messier, Générale des Eaux chairman, said discussions were "seriously engaged". A value of about FFr600m(£66.15m) has been suggested.

Separately, Mr Messier indicated the French group might be prepared to dilute its interest in General Cable, the UK's fourth biggest cable company, as part of the consolidation sweeping the UK sector.

"We have reduced our stake in General Cable to 38 per cent", he said. "We have no intention of selling that. But the UK cable industry is undergoing an important consolidation. "That needs to continue. General Cable may participate in this process. If there were an intelligent consolidation that resulted in a dilution of our stake, that might be worth considering."

There has been renewed speculation this month about General Cable's continuing independence. It recently reported annual results that showed margins in its cable television business deteriorating after price rises from BSkyB.

Time Warner already has a number of French cable operations, as well as a 20 per cent stake in Kabelvision, a Swedish entity that the US company says has "several hundred thousand" subscribers. The group has 12.3m cable customers in the US.

Mr Messier initially disclosed his intention of selling the French cable interests early last month, after the conclusion of a complex deal enabling Générale des Eaux to become the dominant shareholder in Havas, France's largest media company.

The transaction has enabled Générale des Eaux to reinforce its communications activities by taking a 30 per cent stake in Havas, with Havas in turn becoming the dominant investor in Canal Plus, the pay television company, holding more than one-third of shares.

The company is also positioning itself as the main domestic competitor to France Telecom after next year's liberalisation of European telecoms markets. Mr Messier said last month that while he thought cable "a good vehicle for digital images", he was "not convinced it is a good technology for telecoms".

Ford lifts stake in China group ahead of vanmaking plan

By James Harding in Shanghai

Ford Motor Company, the US carmaker, yesterday announced plans to increase its stake in Jiangling Motors as a prelude to launching its first vehicle manufactured in China this year.

The $54.5m purchase of JMC shares lifts Ford's holding in its Chinese partner from 20 per cent to 30 per cent, a move underlining Ford's long-term confidence in China's crowded automotive market.

The capital raised will be used to develop Ford Transit vans, which will be produced at Jiangling's plant in Jiangxi province, eastern China, and launched in December.

Mr Vaughn Koshkarian, president of Ford Motor China, said increasing Ford's JMC stake was an opportunity to increase co-operation with the company.

"We are pleased with the progress we have been making on our China Transit programme and we're eager to see our vehicles on China's streets within the year," he added.

Ford, the world's leading truckmaker, ultimately plans to expand into cars in China but has committed itself initially to launching nine and 12-seater buses. After the December launch Ford hopes to roll out further Transit models, including a long-wheelbased minibus.

"We eventually hope to make passenger cars in China, but we have identified the China market as a very promising market for Ford trucks, which will be produced with Jiangling," Ford said.

The company is understood to be in early discussions with potential partners to establish a joint venture to manufacture passenger cars.

On Tuesday, General Motors of the US and China's state-owned Shanghai Automotive Industry Corporation signed a $1.57bn joint venture to produce medium-sized sedans in Shanghai.

The deal announced yesterday is being structured as part of a share offering by JMC, which will issue 170m new foreign currency shares of which Ford will purchase approximately 120m at the discount price of HK$3.51.

Trading in Jiangling shares was suspended yesterday morning pending the announcement, but edged up to HK$4.00 against Tuesday's close of HK$3.98. A Ford representative said the share price at which Ford would buy JMC stock was decided on the basis of the average price over a 17-day period up to March 13 with a 5 per cent discount.

An automotive analyst in Shanghai said the JMC deal showed "Ford was in for the long term . . . and is clearly prepared to increase its exposure to China to build a position in the market."

Further consolidation in prospect as US insurer 'explores options' for American States

Lincoln National mulls $2bn sale of unit

By Richard Waters in New York

Lincoln National, a US insurer, is considering the sale of a majority-owned property-casualty insurance company worth $2.1bn, it was announced yesterday.

The unit, American States, made its debut on the stock market last May but 83.3 per cent of its stock is still owned by Lincoln.

A sale to another company would mark another step in the consolidation of the US property-casualty insurance industry, which has taken a breather in recent months.

A spate of mergers and capital-raising by insurers two years ago, prompted in part by heavy catastrophe and environmental losses, has been followed by a period of relative calm as the most acquisitive companies have digested their purchases.

That would make a takeover of American States, a company based in Indianapolis, one of the biggest transactions in the sector.

The company said yesterday that it was "exploring a range of strategic options, including the potential sale of 100 per cent of the company."

It added that it had appointed Goldman Sachs to advise on what course of action it should take.

Mr Robert Anker, chairman and chief executive, said: "Consolidation trends in the property-casualty industry may make this an opportune time to fully realise the value of the company."

American States's shares have risen steadily since they were floated, in line with the strong showing by insurance companies generally.

Yesterday's news prompted them to rally $2⅝, or 8 per cent, to $35, compared with the $23 at which they were floated. Stock in Lincoln National rose $⅝, to $58.

American States generates around half its business from home and car insurance, with the other half coming from selling insurance mainly to small businesses.

It sells through 4,800 independent agents in 43 states across the country, though the bulk of its business comes from the Midwest and the north-west regions.

The company is undergoing a reorganisation of its operations to cut costs.

At around 105, its combined ratio – the ratio of underwriting and operating costs to revenues – is considerably higher than the most efficient companies in the industry, adding to the pressure to reduce expenses.

The moves have included centralising all its accounting and underwriting activities, and reducing its regional offices from 20 to four.

Investors wait for son to shine at Televisa

Azcárraga Milmo disappointed with his succession choice, say **Leslie Crawford and Daniel Dombey**

Emilio Azcárraga Jean, the new 29-year-old chief of Mexico's Televisa, has just over a month to convince investors he can steer the largest media conglomerate in the Spanish-speaking world back to profitability.

When his father, Mr Emilio "The Tiger" Azcárraga Milmo, retired unexpectedly on March 4 owing to ill health, many investors hoped the family patriarch would name a team of professional managers to run the $4bn company.

They were disappointed. Mr Azcárraga Milmo appointed his son chief executive, proving that family ties in Mexico still outweigh dispassionate business considerations.

Televisa's stock went into a tail-spin, prompting Mr Azcárraga Jean to promise investors a new business plan for Televisa by April 28.

Among the issues the new chief executive will have to address are:

- Televisa's declining share of television audiences and advertising revenues;
- Competition from Televisión Azteca, a lean and hungry rival network which has made inroads into Televisa's once captive market;
- The group's costly subsidiaries, including Cablevisión, its cable television company, and Eco, its Spanish-language news network;
- The timing of further asset disposals, including Skytel, its radio paging service, and Vendor, an outdoor advertising company, which have been on the market for more than a year;
- Which of Televisa's subsidiaries might be profitably floated on Mexico City's stock exchange.

Mr Azcárraga Jean recently said in an interview he would announce Televisa's new management structure on April 28. But above all, he will have to convince investors that he is up to the job.

Unlike his father, whose overpowering personality dominated Televisa and shaped its aggressive international expansion over two decades, Mr Azcárraga Jean favours a collegiate style of decision-taking.

"We have an important team in Televisa which has been responsible for its rapid growth in recent years," he says.

"The idea is to make this group into an executive committee which will oversee major decisions, including corporate strategy, changes in programming, new investments and acquisitions, and the start up of new businesses."

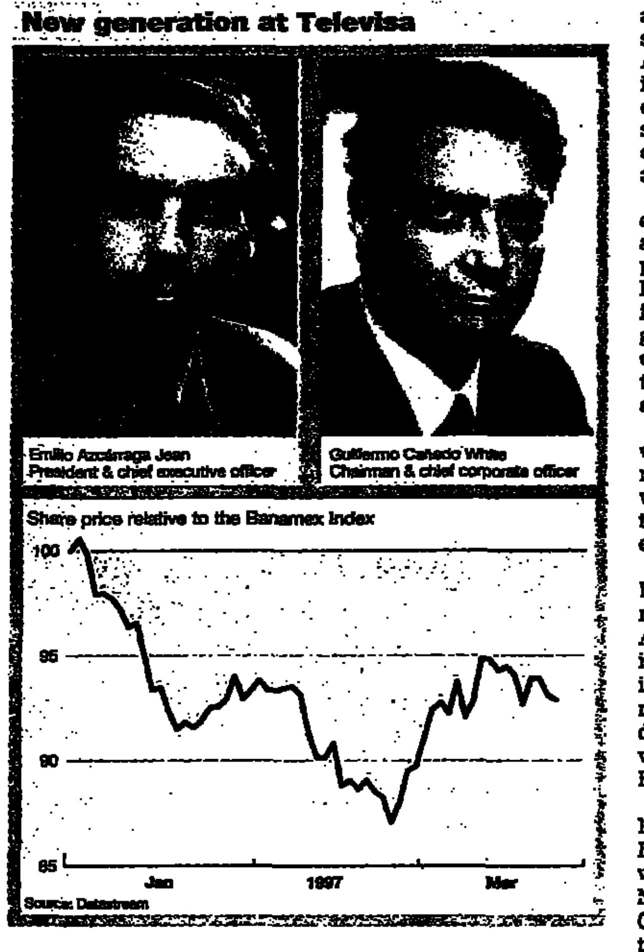
The generational change at Televisa has also raised Mr Guillermo Cañedo White, the 37-year-old former chief financial officer, to chairman of the board and chief corporate officer.

Mr Miguel Aleman Velasco has taken leave of absence from the Senate to oversee news programming and Televisa's satellite television ventures in Spain and Latin America.

And Mr Jaime Dávila, credited with transforming Univisión, in which Televisa holds a 20.8 per cent stake, into the largest Spanish-language network in the US, has been summoned back to Mexico to take charge of programming operations.

The Azcárraga, Cañedo and Aleman families together control more than 60 per cent of Televisa's voting stock. Mr Cañedo White says the new team will manage Televisa "for margins and growth, and will make stockholders its main concern".

New generation at Televisa



The company, which posted a 598.5m peso ($77m) loss in 1996, has not declared dividends since January 1995.

The days when Televisa's four broadcast networks commanded 90 per cent of television audiences are gone, Mr Cañedo White says.

Last year, after a series of soap opera flops, Televisa's prime-time audience share dipped below 60 per cent for the first time.

This was bad news for a company whose core business remains the production of more than 50,000 hours of programming a year. The desertion of television viewers has caused Televisa to lose bargaining power with advertisers.

Last October, when Televisa held its auction for 1997 advertising slots, its advance sales increased 9.8 per cent. Azteca's advance sales increased 44 per cent to an estimated $238m, giving the smaller network 22 per cent of Mexico's free television advertising market.

Mr Cañedo White says Televisa has recovered some audience share with better programming this year. But he adds: "The challenge we face is to increase our margins with an audience share of 70 per cent. We have to make Televisa more efficient."

Staff cuts, in a company with 20,000 employees, will not necessarily follow. "We want to do much more with the same number of employees," Mr Cañedo White says.

Televisa is planning to launch a 24-hour financial news network for Latin America next month, while it expects to start beaming its programmes to the Iberian peninsula in June in a direct-to-home joint-venture with Spain's Telefónica and Radio Televisión Española.

In Mexico, Televisa launched its DTH service in December in partnership with Mr Rupert Murdoch's News Corporation and Tele-Communications International of the US. Televisa's investment outlays in DTH could top $290m over the next three years, including expected operating losses until a break-even point is reached.

Televisa hopes to finance its DTH ventures with $375m of 10-year senior notes, which could be issued by Innova, its DTH subsidiary, as early as this week. Moody's, the US rating agency, gave the notes a speculative grade rating because of the "uncertainty of subscription levels for the service, which is targeted, due to its cost, only at the top 25 per cent of the population in terms of household income".

"All new businesses have start-up risks," says Mr Cañedo White, who remembers how "furious" investors were when Televisa bought a 50 per cent stake in PanAmSat, a US satellite carrier, for $200m in 1992.

Last September, Televisa announced the sale of most of its PanAmSat investment in a transaction valued at $1.25bn.

Mr Cañedo White expects the sale to be completed in June. The proceeds will be used to lower Televisa's corporate debt from $1.25bn to $800m.

Not all of Televisa's business ventures have been as fortunate as the PanAmSat deal.

Cablevisión, the cable television subsidiary, lost 30,000 viewers during Mexico's financial crisis, but Mr Cañedo White is hoping subscriptions will bounce back with the country's economic recovery.

Televisa's Grupo América is the largest Latin American publisher of magazine titles, but sales slumped during the recession and have yet to recover.

Mr Cañedo White says he plans to float some of Televisa's subsidiaries, such as Cablevisión, on the Mexico City stock exchange this year if market conditions prove favourable.

This is the eighth in a series on Latin American family-run companies. Previous pieces have run on January 17, January 27, February 13, February 18, February 28, March 12 and March 21

Buenos Aires poised to start airport sell-offs

By Andrea Mandel-Campbell in Buenos Aires

In an attempt to overcome the Congressional deadlock over the privatisation of Argentina's few remaining state-owned enterprises, the Argentine government will issue a presidential decree putting 21 of the country's 59 airports in private hands by August, said Mr Alfonso Ensinck, co-ordinator for the national airport system for the government.

"We want to show that when we launch a project, we're serious and we're not wasting anybody's time," he said. "Otherwise it could be very negative for Argentina and could lead to distrust on the part of potential investors."

The Argentine government is hoping to attract nearly US$2bn in investments to expand and modernise the antiquated system during what is expected to be a 25-30 year concession.

In return, the concession operator will collect fees for landing rights, airport use and hangers as well as being able to develop restaurants, hotels, shops and parking lots. The Argentine armed forces will remain in charge of air traffic control.

The privatisation will apply to 18 airports under federal jurisdiction and three provincial airports currently being transferred to federal domain. Together, these account for 88 per cent of Argentina's 18 million air passengers a year. The remaining 28 provincially controlled airports will be privatised in a second stage.

As with the privatisation of the state-owned mail company Encotesa, for which a presidential decree was signed on Monday, Argentina's airports have been the subject of allegations of corruption from Mr Domingo Cavallo, the former economy minister, which paralysed the privatisation law in Congress.

Mr Cavallo dubbed the planned privatisation "monopolistic" for favouring postal entrepreneur Alfredo Yabran, who also owns the airport free shop, handling and cargo deposit concessions.

To date, the list of interested investors includes Thyssen, Siemens and a German consortium representing Frankfurt airport, as well as the Italian operators of the Rome and Milan airports, Assaeroporti; Aéroports de Paris; Aena, of Spain; and the Airport International Group of the US.

AMERICAS NEWS DIGEST

Auditor qualifies TWA results

Trans World Airlines, the troubled US carrier in which Saudi investor Prince Al Waleed Bin Talal has a 5 per cent stake, warned that its annual report due out next week would contain an auditor's qualification "regarding TWA's ability to continue as a going concern." The statement increased concerns about the company's ability to reduce heavy losses, and the shares were down $⅝ at $7 in early trading, a fall of 8 per cent.

The airline has been hit by a range of problems including last year's still-unexplained crash of flight 800, a series of management changes, heavy debts and an over-ambitious expansion plan. Its cash balance at the year-end was $181.6m, down from $304.3m a year earlier, and the company said late on Tuesday that it was going to try to raise $50m through a private offering.

Richard Tomkins, New York

Reshuffle at Philip Morris

Philip Morris, the US tobacco and food group, announced a flurry of management changes following the unexpected resignation this week of Mr James Kilts, the head of its food businesses. It created the new position of chief operating officer under Mr Geoffrey Bible, the chairman and chief executive, and appointed Mr William Webb, previously head of its international tobacco business, to fill it. Mr Kilts will not be replaced, so the heads of the domestic and international food business will report directly to the group's chief operating officer, mirroring the management structure on the tobacco side.

The appointment of a chief operating officer will relieve the pressure on Mr Bible at a time when anti-tobacco litigation is becoming a serious threat. Yesterday's management changes included the award of the vice-chairmanship to Mr Murray Bring, the company's general counsel, reflecting the importance of legal issues to the company's future.

Richard Tomkins

Avenor plans defeated

Avenor shareholders voted 74.4 per cent to 25.6 per cent against the proposed acquisition of Repap Enterprises. At yesterday's meeting, Avenor president and chief executive Paul Gagne acknowledged shareholders were worried by the amount of debt involved in the stock-swap transaction.

Avenor would have paid stock valued at about C$380m (US$292m) and assumed C$2.26bn in Repap debt. Approval by of two-thirds of the shareholders was required. Avenor earlier this week said that it had rebuffed a merger proposal by Domtar that was contingent on shareholder approval of the Avenor-Repap deal. Some Avenor shareholders wanted Avenor to consider the Domtar proposal before proceeding with the vote on the Repap deal, but Avenor management would not discuss other strategic options until afterward.

Repap shareholders, at a separate meeting, voted 91.3 per cent in favour of the share exchange merger with Avenor. The deal would have provided them with almost C$3 per share of value in Avenor shares.

AP-DJ and Robert Gibbens, Montreal

Tractebel in Peru buy

Tractebel, of Belgium, is investing $290m in the acquisition of a 180MW power plant from Southern Peru and construction of two power plants in Peru. The new power plants will supply electricity to open-cast copper mines at Cuagone and Toquepala, the company said.

AFX News, Brussels

Gt Western spurns Ahmanson

Great Western Financial, the Californian thrift, yesterday rejected a negotiation offer from rival thrift H.F. Ahmanson, saying it remained strongly committed to its strategic merger agreement with Washington Mutual. Great Western also said it continued to oppose Ahmanson's consent solicitation and urged stockholders not to sign any consent card sent by Ahmanson. The company asked stockholders to discard Ahmanson's white consent card.

Reuter, California

Disposals for Alpargatas

Alpargatas, the Argentine textile and footwear company, plans to sell non-core assets and concentrate on its main business to be in a more competitive position by 2000, vice-president Guillermo Gotelli was quoted yesterday as saying.

According to La Nacion newspaper, he said the company planned "to sell assets not related to the central businesses [some plant and real estate] and exploit others adequately".

He added Alpargatas was considering issuing a long-term bond to smooth that transition. No further details were available. Gotelli said last year Alpargatas cancelled debt of some $120m, including $50m in interest.

Reuter, Buenos Aires

Veba plans October debut in New York

By Ralph Atkins in Bonn

Ulrich Hartmann: US listing not an excuse to raise capital

Veba, the German energy and industrial conglomerate, yesterday unveiled plans for a New York Stock Exchange debut on October 8 to spur the group's internationalisation.

Mr Ulrich Hartmann, chairman, said Veba would be the sixth German company to list on the exchange, as the group announced a 15.6 per cent increase in pre-tax income last year to DM4.44bn (US$2.6bn). He warned, however, that Veba was feeling "the stiff wind of the currently weak [German] economy" and future earnings growth would be "less spectacular".

Last year's after-tax profits of DM2.49bn – up from DM2.11bn – included DM298m start-up losses from Veba's telecoms activities. The group is building, with RWE, another German industrial group, a rival business to Deutsche Telekom, Europe's largest telecoms group. Veba blamed uncertainty over future tariff structures for a weaker-than-expected volume increase in the corporate network sector.

Mr Hartmann also attacked Deutsche Telekom's attitude in negotiations over "interconnection" agreements to link telecoms networks after full liberalisation of the market next January. He warned: "We will soon be knocking on the regulator's door."

The New York move has been mooted for more than a year and follows the switch last year to accounts based on the US Generally Accepted Accounting Principles. Other German companies already listed in New York include Daimler Benz and Deutsche Telekom.

Veba – described by Mr Richard Grasso, NYSE chairman, as "the world's largest utility-based multi-business group in terms of market capitalisation" – aims to increase the ratio of overseas sales from 30 per cent now to more than 50 per cent by 2006.

Mr Hartmann said the importance of internationalisation and need for a broader shareholder base "carry so much weight that, given our solid capital structure, we will be listing our shares in New York without increasing our capital".

However, he pre-empted any pressure from US shareholders for Veba to be spilt up, revealing that a strategic review by management last year had concluded the group's future lay in developing activities across a broad front - providing there was transparency within the group.

A dividend of DM1.90, up from DM1.70, was proposed.

Renault trucks arm in red but sees recovery

By David Owen in Paris

Renault VI, the truck and bus division of the troubled French car group of the same name, expects to return to break-even in the second half of 1997, and to be profitable the following year.

Mr Shémaya Levy, chairman, made the prediction yesterday in Paris, while announcing that the company had incurred net losses of FFr791m ($139m) in 1996.

The decline – from profits of FFr712m the previous year – was blamed on unexpectedly tough market conditions, particularly in Europe, and to an exceptional increase in costs related to the renewal of product ranges.

It said Mack Trucks, the US heavy trucks subsidiary, had resisted the downturn in North American markets well and continued to post profits, with operating income of FFr147m against FFr313m in 1995.

The company's European branch posted an operating loss of FFr819m, against a 1995 profit of FFr696m.

European sales fell 15.4 per cent to 38,700 units, while those of Mack declined 16.8 per cent to fractionally more than 25,000.

The decline in market share was much smaller, however: in Europe, the company had 11 per cent of the overall market, against 11.2 per cent in 1995; in the US, it had 12.1 per cent of the so-called Class 8 market, versus 12 per cent.

Mr Levy said a 5 per cent per year reduction in annual costs would be one of the main factors helping the group back to profitability. But he gave little indication of the implications of such a cost drive for employment levels at the company.

He said the group was in "detailed discussions" with unidentified parties on a strategic partnership in the mechanical components area.

Debt rose sharply from FFr3.12bn at the end of 1995 to FFr4.64bn a year later. The group had spent FFr350m in 1996 on new product launches.

Schneider shares sharply up as profits surge 61.6%

By David Owen in Paris

Shares of Schneider, the French electrical equipment maker, rose sharply yesterday after the group announced a strong improvement in annual profits.

The shares closed ahead FFr18.90, or 6.3 per cent, on heavy volume, at FFr320.70 after the company posted net attributable profit up 61.6 per cent from FFr817m to FFr1.32bn ($231m).

The performance was helped considerably by a 32 per cent reduction in net interest expenses, from FFr1.08bn to FFr735m. This was attributed both to lower interest rates and debt reduction.

Operating income rose about 9 per cent, from FFr3.68bn to FFr4bn. The result included net extraordinary losses of FFr465m, against FFr502m in 1995. Last year's figure included a FFr1bn profit on the sale of fixed assets and provisions "for risks and charges" of about FFr1.4bn.

The group is proposing a net dividend of FFr5 a share – up 25 per cent from the previous year.

Sales edged ahead 3.7 per cent from FFr59.4bn to FFr61.6bn. Within this figure, Schneider Electric's sales climbed 4.6 per cent to FFr43.8bn.

The company in February completed the sale of Spie Batignolles, its construction unit. It said its debt/equity ratio after the deconsolidation of that part of its business stood at 29 per cent.

Mr Didier Pineau-Valencienne, chairman, said the company was studying ways of reducing its equity capital in order to boost earnings per share.

Stet investors approve golden share

By Paul Betts in Milan

Stet shareholders yesterday approved the introduction of a golden share in the Italian state-controlled telecommunications group's statutes ahead of privatisation later this year.

The golden share will give the government a veto on important decisions such as mergers, acquisitions or disposals, as well as on the choice of core shareholders.

By introducing a golden share for three years, the government has sought to placate the the Refounded Communists, who oppose the full privatisation of Stet and on whose support the government depends.

However, one new complication could arise in the unlikely event of a victory of the promoters of a national referendum on the abolition of golden shares, to be held in June.

Stet yesterday also set the buying price for its shares for investors who opt not to exchange them for new shares being issued as part of the merger of Stet and Telecom Italia, the fixed-line operating company.

Based on the average price of the past six months, ordinary shares have been priced at L6,466.18 and savings shares at L4,976.6. This compares with current prices of about L7,300 for ordinary shares and more than L5,800 for savings shares.

For Telecom Italia, the value of ordinary shares was set at L3,938.25 and for savings shares at L3,176.59. Telecom Italia ordinary shares are trading at about L4,200, while the savings shares are close to L3,500.

Stet and Telecom Italia are to hold shareholders' meetings on April 30 to approve the merger of the two groups. The new group will be called Telecom Italia.

However, the government has yet to establish a telecoms and broadcasting regulatory authority, a prerequisite for the privatisation of the new company.

Euro Disney faces earthly reality

The Paris theme park has ruled out a second venue before 2000

The new chairman of Euro Disney, operator of the Paris-based theme park, yesterday ruled out the creation of a second park or an important new attraction, at least before the start of the next millennium.

Mr Gilles Pélisson, who took over last month after the sudden departure of Mr Philippe Bourguignon to head Club Méditerranée, warned several hundred shareholders gathered for the group's annual general meeting that the Magic Kingdom still had to deal with the earthly realities of interest charges that would rise by FFr200m this year.

In his first public appearance in his new role, he said that possible price increases from 1998, as well as continued cost-cutting and revenues from other commercial activities, would be used to help offset the increasing charges, the legacy of heavy financial restructuring in 1994.

But in a comment that disappointed the Disney enthusiasts in the audience, Mr Pélisson said there was no question of starting to build a second theme park – which had originally been planned to open in the mid-1990s – at least for the next two to four years.

He said the Euro Disney board had no plans for a new attraction in the existing park in the next two to three years. The last big project, Space Mountain, opened in 1995.

"A second park is still part of our dream, but before considering the third stage of the rocket, we need to deal with the second stage," he said in a reference to the Val d'Europe commercial property project being built near Euro Disneyland.

Mr Pélisson argued instead that new shows could boost visitor numbers. As if to illustrate the point, Disney characters danced and sang on stage at several points during a presentation by the company.

Just 40 minutes at the end were left for questions. When several disgruntled investors complained about the continued disappointing share price performance of the group, the Euro Disney chairman said simply: "You have a company with development prospects, and a real future. We have left the vicious circle behind us."

One shareholder suggested that the supervisory board should be paid in Euro Disney shares rather than cash, called for more information on their salaries, and said their minimum holding of 1,000 shares each was "derisory".

Another said his children were thrilled by the park, but asked if the group could "make papa happy too" by giving him at least one free entry a year.

Mr Pélisson politely thanked them without offering much hope, and the meeting concluded in a puff of evaporating dry ice.

Andrew Jack

NOVARTIS

Basel, Switzerland, 25 March 1997

To the shareholders of Novartis AG

Notice of Annual General Meeting

Date: Tuesday, 22 April 1997, 10.30 a.m. (the doors of the assembly hall will open at 8.00 a.m.)

Place: St. Jakobshalle, Basel (entrance Brüglingerstrasse/St. Jakobs-Strasse)

Items of business

1. Approval of the annual report, the financial statements and the Group consolidated financial statements for 1996
   The Board of Directors proposes approval.

2. Formal approval of the activities of the Board of Directors
   The Board of Directors proposes that the Directors be released from liability.

3. Appropriation of balance sheet profit and declaration of dividend

Profit for 1996:	CHF	2'340'186'477
Profit carried forward:	CHF	245'781'853
Balance sheet profit at the disposal of the AGM:	CHF	2'585'968'330

The Board of Directors proposes appropriation of the Balance Sheet Profit as follows:

Dividend:	CHF	1'389'068'340
Balance to be carried forward:	CHF	1'196'899'990

A total dividend payment of CHF 1'389'068'340.– is equivalent to a gross dividend of CHF 20.– per registered and bearer share of CHF 20.– par value entitled to dividends. Assuming that the Board's proposal for profit appropriation is approved, payment will be made with effect from 25 April 1997.

4. Elections to the Board of Directors
   The Board of Directors proposes the re-election of Mrs. Birgit Breuel, Mr. Walter G. Frehner, Mr. Alexandre F. Jetzer and Dr. Jean Wander, all for a four-year term.

5. Appointment of the auditors and the Group auditors
   The Board of Directors proposes the retention of the current auditors and Group auditors, the STG-Coopers & Lybrand AG, for a further year.

Annual Report

The annual report (the financial statements and the Group consolidated financial statements) and the auditors' report for 1996 will be open to inspection by shareholders at the Registered Office of the Company* from Thursday, 27 March 1997, onwards. These reports will be sent to registered shareholders; they will also be supplied to holders of bearer shares on written request*.

Ticket of admission

– The ticket of admission and voting papers will be sent only to those who register from 7 to 17 April 1997

Holders of registered shares who are recorded in the Share Register as entitled to vote will be sent a registration card together with the notice of the Annual General Meeting. The registered shares entered in the Share Register on 2 April 1997 provide entitlement to vote. After return of the registration card, the registered shareholder will be sent a ticket of admission and voting papers. It will greatly assist the Share Registry in its preparations for the meeting if the registration card is returned so as to reach the Company by 10 April 1997.

– Sale of shares

In the case of sales of shares stated on the ticket of admission the shareholder loses the entitlement to vote provided by those shares. The ticket of admission and the voting papers must be presented for correction at the AGM desk (*GV-Büro*) before the Annual General Meeting begins.

– Holders of bearer shares

Holders of bearer shares may obtain a ticket of admission and voting papers from their bankers or direct from the Registered Office of the Company* against temporary surrender of their share documents.

Appointment of proxy

Pursuant to Art. 15.2 of the Articles of Association, a shareholder may only be represented by his legal representative, another shareholder with the right to vote, corporate bodies (*Organvertreter*), the independent proxy (*unabhängiger Stimmrechtsvertreter*): lic. iur. Peter Andreas Zahn, St. Jakobs-Strasse 7, P.O. Box 2879, CH-4002 Basel or a depositary (*Depotvertreter*). The instrument of proxy on the reverse of the registration card or ticket of admission must be used for this purpose. Unless there are clear instructions to the contrary votes will be cast according to the proposals of the Board of Directors.

Representatives

Institutions subject to the Federal Law relating to Banks and Savings Banks of 8 November 1934 and professional securities administrators are asked to notify the number and type of the shares they represent to the Company as early as possible, and in any event not later than the day of the Annual General Meeting, at the AGM desk (*GV-Büro*).

Leaving the Annual General Meeting early

Shareholders who leave the Annual General Meeting early are requested to show their unused voting papers on the way out.

Means of transport

Shareholders are requested to use public transport since parking facilities at the St. Jakobshalle are limited.

Novartis AG
For the Board of Directors
The Chairman:

Dr. A. Krauer

* Office of the Company Secretary, Schwarzwaldallee 215, CH-4058 Basel

Market welcomes Nestlé's 16% rise

By William Hall in Zurich

Shares in Nestlé, the world's biggest food company, jumped 4 per cent yesterday, after the Swiss group announced a 16.6 per cent rise in net income to SFr3.4bn (US$2.3bn) – its best performance in seven years.

The rise in profits, which was more than double the rate of growth in sales, was substantially higher than analysts' forecasts of a 10.5 per cent increase. The company also surprised analysts by increasing its dividend by 13.2 per cent to SFr30 a share.

Nestlé shares, which have underperformed the market for some time, closed SFr64 higher at SFr1641 yesterday.

Nestlé, which has about 500 factories producing everything from Nescafé coffee to Perrier water and Kit-Kat chocolate bars, has had a mixed reception among analysts in recent years.

The group increased its spending on marketing and administration by 10 per cent to SFr18bn. Mr James Amoroso, of Julius Baer in Zurich, said the investment in new products and increasing market share was clearly "paying off". After adjusting for extra restructuring costs and amortisation of intangible assets, there had been a modest increase in margins, he said.

Over the previous six years Nestlé's performance has been hurt by the 40 per cent appreciation of the Swiss franc against the US dollar, as 98 per cent of its sales are in foreign currencies. Consequently, the sharp decline in the Swiss exchange rate, from an average of SFr1.18 to the US dollar in 1995 to its current rate of around SFr1.46, has flattered the latest results.

The group's sales rose 7.1 per cent to SFr60.5bn in 1996. However, only 1.4 percentage points of the improvement was due to currency effects; 2.7 points was due to volume growth and 0.6 points to acquisitions.

Despite the benefits of the exchange rate, analysts said the company had become more focused. Its decision to change the top management of its important US beverage business was seen as a sign of more aggressive attitude by top management.

In terms of the geographical split of trading profits, North and South America increased its contribution by 10 per cent to SFr2.28bn in 1996 and now ranks on a par with Europe, Nestlé's traditional stronghold, where profits rose 3.7 per cent.

Pirelli beats forecasts and doubles dividend

By Paul Betts in Milan

Pirelli, the Italian tyre and cables group, yesterday beat analysts' forecasts when it reported a 43 per cent increase in consolidated net profits to L436bn ($258m) in 1996 and doubled the dividend on its ordinary shares to L100.

The company will also propose at its shareholders' meeting in May the buy-back of up to L300bn of its shares in the next 18 months.

The latest results reflect the company's successful turnaround under Mr Marco Tronchetti Provera, chairman, since its near-collapse in 1991 after an abortive attempt to take over Continental, the German tyre-maker. The company has been restructured to concentrate on its core tyre and cables businesses as well as on the development of high-performance, high-margin products.


Marco Tronchetti Provera: expects positive outcome in 1997

Net profits in 1996 after minorities rose 51 per cent, from L257bn in 1995 to L387bn. This was higher than market forecasts ranging from L298bn to L315bn.

The profits included L138bn in extraordinary charges, mainly related to the closure of its Nashville tyre plant. In 1995, the company had extraordinary charges of L108bn.

Group sales in 1996 declined 6 per cent to L10,240bn, largely as a result of the stronger lira. In volume terms, sales rose 3 per cent. In the tyre sector, sales fell 4.6 per cent to L5,101bn while in the cables business they dropped 7.4 per cent to L5,123bn.

Gross operating margin rose from L1,186bn in 1995 to L1,208bn last year, while operating profits rose 6.9 per cent to L680bn. Net debt fell for the fifth consecutive year to L1,015bn at the end of last year from L1,406bn at the end of 1995.

The group's workforce shrank 4.1 per cent to 36,534, while investments rose from L485bn in 1995 to L541bn last year. Research and development spending totalled L315bn.

Profits at the Pirelli SpA parent company rose from L140.8bn in 1995 to L261.4bn in 1996. Apart from the doubling of the payout on ordinary shares from L50 to L100, the dividend on savings shares has been lifted from L70 to L120.

Mr Tronchetti Provera expected Pirelli to perform positively again this year.

Delhaize ahead at BFr4.35bn

By Neil Buckley in Brussels

Delhaize "Le Lion", the Belgian-based international retailer which owns the Food Lion chain in the US, lifted net profits 15.6 per cent last year to BFr4.35bn ($125m), despite poor consumer confidence in its home market.

Sales in the Belgian business increased only 3.4 per cent to BFr106.9bn, despite the opening of 28 new stores, taking the total to 478.

Like-for-like sales, which strip out the effect of new store openings, increased only 1.8 per cent – although Mr Guy de Vaucleroy, managing director, said this was three times the rate of food price inflation.

He added that Delhaize had increased its share of the "stagnant" Belgian grocery market from 13 per cent to 13.2 per cent. "Consumer confidence was not there in 1996, and consumer confidence is not there in 1997," he warned, adding that unemployment worries were depressing spending.

However, net profits in Belgium increased 21 per cent to BFr1.92bn, boosted by strong growth in investment income.

In the US, where Delhaize owns the 1,100-store Food Lion chain, total sales increased 9.7 per cent to $9bn, including the contribution of 39 new stores. Like-for-like sales were up 5.7 per cent, and net profits jumped almost 20 per cent to $206.1m.

The net dividend rose 8 per cent to BFr27 a share, on earnings per share up from BFr73.4 to BFr84.2.

Crédit Agricole builds Suez links

By Andrew Jack

Crédit Agricole, the French mutual bank, said yesterday it had substantially lifted its stake in Suez, the holding company, in recent months and hoped to work with it on a number of projects.

Mr Lucien Douroux, chairman, said that during 1996 the bank had raised its interest from 3.7 per cent to 8.5 per cent of the capital of Suez, and now held nearly 10 per cent of the voting rights. The details emerged as the bank reported net income for 1996 up 16 per cent to FFr7.5bn ($1.3bn).

Suez is near to a decision on a merger with Lyonnaise des Eaux, the utilities group, which is due to be debated at a Suez board meeting next Tuesday.

Crédit Agricole's vote could prove decisive, as it is one of the largest Suez shareholders. It also has held since last year a 3.3 per cent stake in Lyonnaise, which it bought from CDR, the state vehicle set up to sell assets formerly held by the state-owned bank Crédit Lyonnais.

Mr Douroux said Crédit Agricole had a long-standing partnership with Sofinco, Suez's consumer credit arm, and suggested there was a "willingness of co-operation and possible partnership" on "certain future operations with Suez".

UAP reports FFr6.5bn deficit

By Andrew Jack in Paris and Christopher Adams in London

UAP, the French insurance group taken over earlier this year by rival Axa, yesterday reported losses for 1996 of FFr6.5bn ($1.14bn) after taking exceptional charges of FFr7.6bn, in the final results it will report as a separate company.

The result dragged the combined groups into a substantial loss for the year, even after Axa reported a strong increase in profits, from FFr2.7bn to FFr3.8bn.

UAP's exceptional items included a FFr1.8bn waiver of deferred tax credits against past losses, which will have to be abandoned as a result of the merger.

They also included FFr1.2bn in capital losses following the deconsolidation – in line with Axa's accounting policies – of the 14 per cent stake held by UAP in Banque Nationale de Paris as part of a cross-shareholding. BNP unveiled earlier this month a FFr2.4bn charge for deconsolidating its stake in UAP.

There was a further FFr800m in charges relating to property companies formerly held by UAP's subsidiary, Banque Worms.

Axa denied that the provisions by UAP were excessive or that they could have been unveiled following the merger, which only becomes formally effective this year.

Mr Claude Bébéar, Axa chairman, said Banque Worms would be sold, and that it remained confident of its estimates of savings in its insurance activities of FFr500m up to 1999.

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EUROPEAN NEWS DIGEST

Cockerill Sambre slides into red

The worldwide downturn in steel prices last year caused Cockerill Sambre, the Belgian steelmaker which is Europe's sixth-biggest by output, to plunge into loss. Losses were BFr8.97bn ($257m), against a profit of BFr3.24bn in 1995. However, the 1996 figures included exceptional costs of BFr7.7bn related to the group's restructuring programme.

The company, which acknowledged that "1996 was a bad year", said it was accelerating its Horizon 2000 restructuring plan, aimed at cutting the heavy cost structure of one of Europe's least efficient steel producers. The plan aims to reduce costs by BFr10bn a year by 2000, through a "radical change in organisational structures" to increase its competitiveness. About 2,000 job losses are envisaged among the 10,000 workforce. The programme is also aimed at lifting market share in the group's core business of coated and thin flat steel products, through technological innovations and quicker response to customers' needs.

Cockerill said yesterday it was still seeking an alliance with another European steelmaker. Its comments follow last year's failure to link with Gustave Boël, the Belgian privately-owned manufacturer. Boël last month signed an alliance with Hoogovens of the Netherlands, one place below Cockerill Sambre in the list of Europe's biggest steelmakers by output last year. Germany's Krupp Hoesch, at number eight, is also forming a steel joint venture with compatriot Thyssen after dropping its hostile bid – further narrowing the list of possible alliance partners for Cockerill. *Neil Buckley, Brussels*

Volvo confirms TWR venture

Volvo, the Swedish automotive group, yesterday confirmed it was forming a joint venture with TWR, the privately-owned British engineering company, to develop production technology for buses, chassis and components. The new company will be 65 per cent owned by TWR, which already works with Volvo at AutoNova, a joint venture building specialist sports cars at Volvo's Uddevalla plant in south-west Sweden.
Haig Simonian, Motor Industry Correspondent

Cimpor pleases with 6.6% rise

Cimpor, Portugal's biggest cement company, yesterday reported a 6.6 per cent increase in net consolidated profit for 1996 to Es19.7bn ($116m). Profit growth, below market forecasts, was affected by a revaluation of assets to improve tax efficiency. But analysts said the overall quality of the group's results, including a 34.9 per cent increase in cash flow to Es48.6bn, was better than expected. The shares closed yesterday at Es3,510, up from Es3,490 at Tuesday's close. The company will pay a dividend of Es125 a share, up from Es115 in 1995.
Peter Wise, Lisbon

Linotype-Hell losses deepen

Linotype-Hell, the ailing German manufacturer of pre-press equipment which is being acquired by Heidelberger Druckmaschinen, said yesterday its preliminary net loss widened from DM74.7m to about DM144m ($85m) last year. However, Mr Bernhard Schreier, chairman, reiterated that the group expected to return to profit in the next two years.

Last year's earnings include write-downs on foreign shareholdings, and costs connected to the company's drastic restructuring programme, under which it expects to shed about 1,200 jobs – about one-third of its workforce. Also included was a DM125m injection from Heidelberger Druckmaschinen to aid the restructuring.

The group, which is shifting its focus from newspaper printing to the professional graphics industry, said preliminary sales dropped from DM861m to DM822m in 1996. It said the takeover by Heidelberger was expected to be complete by autumn. *Sarah Althaus, Frankfurt*

Japanese sales help Hermès

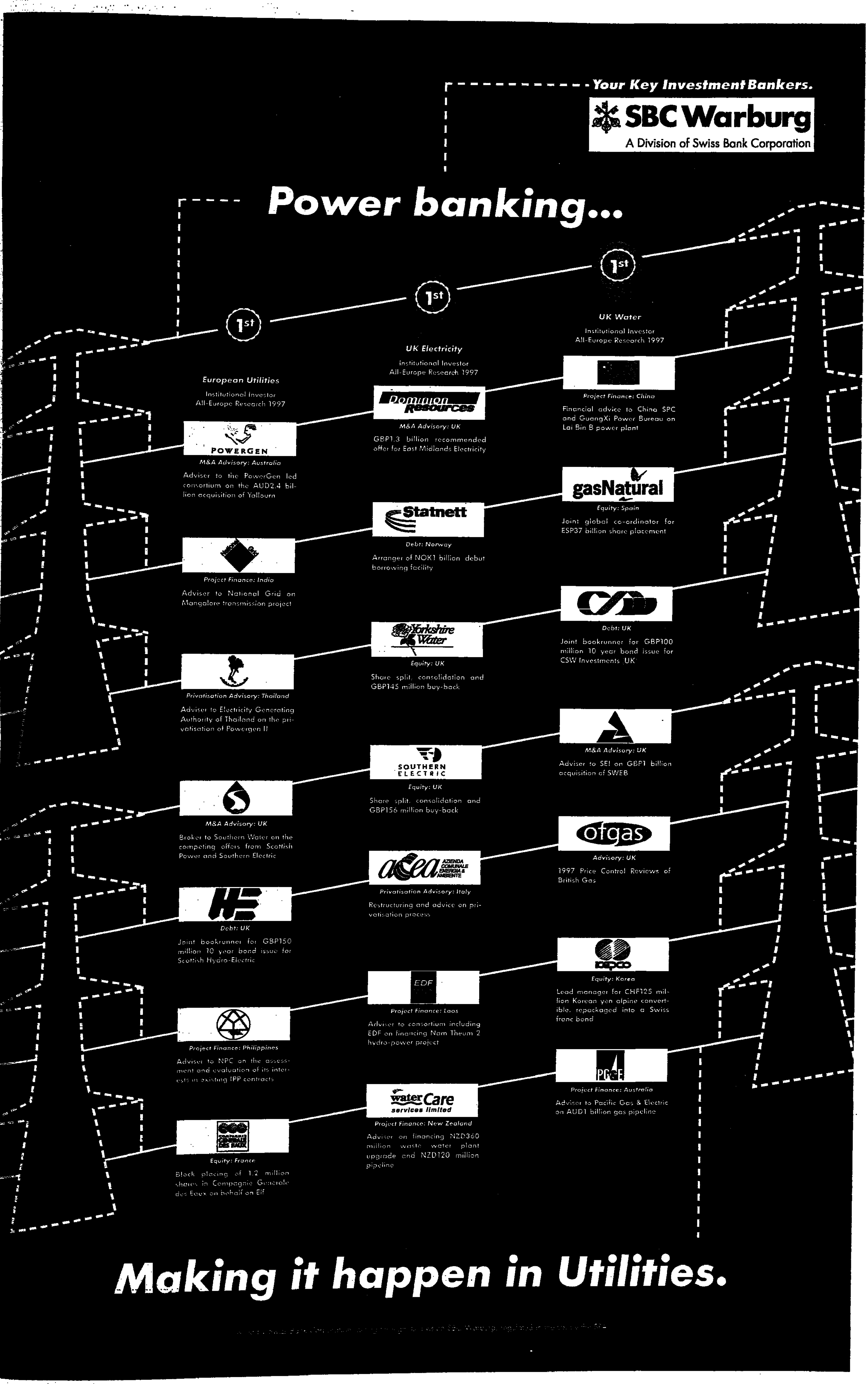
Hermès, the French luxury good group, yesterday reported a 13 per cent rise in 1996 net profit to FFr457m ($80m), on the back of a 9.3 per cent increase in turnover to FFr4.1bn. It was helped by sales in Asia, particularly Japan, and in Europe, especially the UK and Germany. Hermès said total turnover would have risen 11.3 per cent, but for the strong fall in the yen last year.

With Japanese sales continuing to surge last year, by 25 per cent at constant exchange rates, the group spent FFr250m on raising its stake in its Japanese distribution company from 50 to 90 per cent; plans to spend FFr450m on buying a building in the Ginza section of Tokyo to open as a store in 1999. Other expansion plans for this year include the opening of two shops in California, new ventures in Peking, Thailand, Malaysia and new stores in Antwerp, Prague, Turin and Hamburg. *David Buchan, Paris*

Fourth-term fillip for Fortis

Fortis, the Dutch-Belgian financial group, said yesterday net profits for 1996 rose 16 per cent to Ecu731m ($840m), after an unexpectedly good fourth quarter. The group, which recently bought MeesPierson, the Dutch merchant bank, said earnings per share rose 15 per cent, 5 per cent above its earlier predictions. Proposed dividends per share were Fl 1.90 for Fortis Amev, the Dutch half of the company, and BFr127 for Fortis AG, the Belgian half.

■ Robeco Group, the Dutch fund manager, yesterday reported a a fall in 1996 net profit, from Fl 313m to Fl 259m ($136m). It proposed a dividend of Fl 3.52 per share. The shares gained Fl 1.10 yesterday to Fl 159.40. *Sander Thoenes, Amsterdam*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Adviser to the PowerGen led consortium on the AUD2.4 billion acquisition of Yallourn
Project Finance: India
Adviser to National Grid on Mangalore transmission project
Privatisation Advisory: Thailand
Adviser to Electricity Generating Authority of Thailand on the privatisation of Powergen II
M&A Advisory: UK
Broker to Southern Water on the competing offers from Scottish Power and Southern Electric
Debt: UK
Joint bookrunner for GBP150 million 10 year bond issue for Scottish Hydro-Electric
Project Finance: Philippines
Adviser to NPC on the assessment and evaluation of its interests in existing IPP contracts
Equity: France
Block placing of 1.2 million shares in Compagnie Generale des Eaux on behalf on Elf
Dominion Resources
M&A Advisory: UK
GBP1.3 billion recommended offer for East Midlands Electricity
Statnett
Debt: Norway
Arranger of NOK1 billion debut borrowing facility
Yorkshire Water
Equity: UK
Share split, consolidation and GBP145 million buy-back
SOUTHERN ELECTRIC
Equity: UK
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Project Finance: Laos
Adviser to consortium including EDF on financing Nam Theum 2 hydro-power project
water Care services limited
Project Finance: New Zealand
Adviser on financing NZD360 million waste water plant upgrade and NZD120 million pipeline
Project Finance: China
Financial advice to China SPC and GuangXi Power Bureau on Lai Bin B power plant
gasNatural
Equity: Spain
Joint global co-ordinator for ESP37 billion share placement
Debt: UK
Joint bookrunner for GBP100 million 10 year bond issue for CSW Investments (UK)
M&A Advisory: UK
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1997 Price Control Reviews of British Gas
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Equity: Korea
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Project Finance: Australia
Adviser to Pacific Gas & Electric on AUD1 billion gas pipeline
Making it happen in Utilities.

Strong advances at Hong Kong groups as exceptional gains drive profits growth

Citic Pacific surges to HK$6.86bn

By John Ridding in Hong Kong

Citic Pacific, the Hong Kong arm of China's flagship investment vehicle, yesterday announced profits last year had more than doubled to HK$6.86bn (US$886m) as exceptional gains boosted an underlying rise of almost 20 per cent.

The results, which were at the top end of expectations, follow a period of restructuring which has underlined Citic Pacific's role as one of Hong Kong's main commercial power-brokers. Since the beginning of last year, the group has been a central figure reorganisation of the territory's aviation sector and bought 20 per cent of China Light & Power (CLP), one of the territory's biggest utilities.

Mr Larry Yung, chairman, was optimistic, predicting further growth in underlying earnings this year. He also sought to reassure investors about a management share purchase in which he led a group of senior executives in buying a 15.5 per cent stake in the company. The deal prompted concern among some investors who criticised the discount of 24 per cent and questioned the implications of the deal for relations between Citic Pacific and its Beijing shareholder. Mr Yung said the relationship remained unchanged and that the discount was 14 per cent when the deal was negotiated last November. "Given the size of the deal we consider such a discount to be appropriate," he said.

The Citic chairman indicated that the company's Beijing parent company had initiated the sale to raise funds. "They raised the prospect of reducing their stake to take profits. We followed up with a management purchase. It is as simple as that," he said.

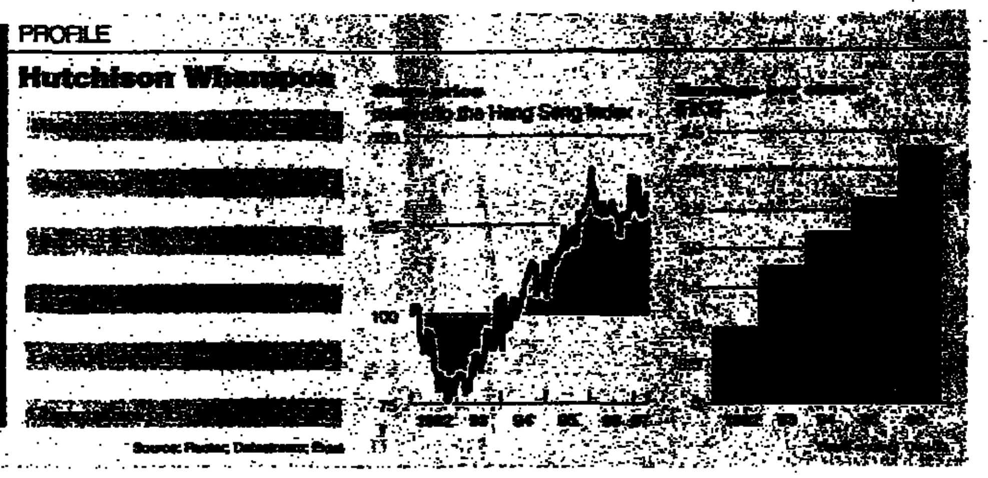
Announcing the results, which included exceptional gains of HK$3.29bn from the sale of shares in Hongkong Telecom and Dragonair, Mr Yung underlined the group's increased focus on infrastructure. He said the group's stake in CLP would raise earnings per share and would present opportunities in Hong Kong and the mainland.

Turnover rose from HK$10.84bn to HK$12.76bn, while earnings per share climbed from HK$1.53 to HK$3.22.

Orange flotation spurs Hutchison Whampoa rise

PROFILE

Chairman: Li Ka-Shing



By Louise Lucas in Hong Kong

Hutchison Whampoa, the Hong Kong conglomerate controlled by Mr Li Ka-shing, yesterday posted a 25.6 per cent increase in net profits which was wholly reliant on the HK$4.1bn (US$529m) gained from the flotation last April of Orange, the UK mobile telecoms operator.

Net profits rose from HK$9.57bn in 1995 to HK$12.02bn last year, largely in line with expectations. Last year was the first time in several years that the conglomerate registered a drop in core earnings, flagged as early in 1994 when big property developments were being sold off.

Mr Li, chairman, said the group was expanding its property investment portfolio, and a that further boost would come next year when the first phase of a new office tower was completed. The redevelopment, on the site of the former Hongkong Hilton Hotel, is scheduled for completion in 2003.

Analysts are looking for a return to growth in recurrent earnings this year, although exceptionals will again play a part. The company is expected to reap HK$1.24bn from its sale of 35 per cent of Hongkong Electric, one of the territory's two power companies, to stablemate Cheung Kong Infrastructure, and a further sum of around HK$700m from its sale of shares in AsiaSat, the Hong Kong-based satellite company.

Mr Mike Warren, analyst at Morgan Stanley, is forecasting net earnings of HK$13.5bn for 1997, a rise of 8 per cent in absolute terms but a 41 per cent increase in recurring earnings.

While losses are expected at Orange, in which Hutchison now has a 49.02 per cent stake, these have already been provided for by the conglomerate, and the outlook for the telecoms operator is regarded as bright. Orange has acquired an 11 per cent market share in the UK, and its subscriber base now stands at 888,000.

Earnings per share at Hutchison Whampoa rose 25.28 per cent from HK$2.65 to HK$3.32 last year.

The final dividend is to be lifted 27.05 per cent, from HK$0.85 to HK$1.08.

Infrastructure spin-off helps lift Cheung Kong

By Louise Lucas

Cheung Kong, the Hong Kong property developer controlled by Mr Li Ka-shing, yesterday announced a 23.7 per cent rise in net profits, from HK$11.12bn in 1995 to HK$13.76bn (US$1.78bn) last year.

The results were lifted by a one-off gain of HK$1.51bn from the spin-off of infrastructure activities, now separately listed as Cheung Kong Infrastructure, and by the HK$12.02bn net profit posted by Hutchison Whampoa, the conglomerate 45 per cent held by Cheung Kong and itself a beneficiary of a big exceptional gain.

Underlining the vote of confidence delivered to the property market by Monday's government land auction, which saw two residential plots sold at prices sharply above analysts' expectations, Mr Li forecast continued firm property prices this year.

"Over the past year, as the Hong Kong property market grew more active, end-users have begun to purchase flats and offices more aggressively. The expected rise in interest rates will only have a limited effect due to the market's increased purchasing power," he said.

Hong Kong banks yesterday raised their best lending rates by 25 basis points, following the lead set on Tuesday by the US Federal Reserve and reflecting the local currency's peg to the US dollar.

The more sluggish rise in core earnings at Cheung Kong reflected a less active year for the company in selling developments and a limited rental income. Mr Li signalled plans to change the mix, telling shareholders: "It is anticipated that in the next few years rental income from both Hong Kong and mainland China will increase greatly."

Mr Li said several of the group's mainland investments were now contributing to profits – particularly, hotels and rental properties.

Earnings per share rose 18.97 per cent, from HK$5.06 in 1995 to HK$6.02. The final dividend is to be lifted 16.6 per cent, from HK$0.90 to HK$1.05.

Cheung Kong's shares gained HK$0.50 to close at HK$70.50.

ASIA-PACIFIC NEWS DIGEST

Plan to write off Tobishima loans

Creditors of Tobishima, a struggling Japanese construction company, look set to forgo up to Y[illegible] (US$5.17bn) of the Y[illegible] loans guaranteed by the company and allow it to repay the remaining Y108bn over 20 years.

The plan will allow the 80 creditors, mainly banks and insurance companies, to recoup some their losses through sales of land held as collateral against the loans. Tobishima, like many Japanese construction companies, solicited business in the "bubble" period of the late 1980s by offering to guarantee loans taken out by property companies in exchange for construction contracts. When the property market collapsed, Tobishima and its affiliates became responsible for debts thought to total more than Y1,000bn. *Bethan Hutton, Tokyo*

Gitic shares surge on debut

Gitic Enterprises, a Hong Kong construction materials company with mainland backing, made a dynamic debut on the Hong Kong stock market yesterday. The shares closed at HK$4.825, more than four times the HK$1.08 issue price.

Trading on the grey market, where 98m shares were 892 times subscribed, had already signalled a strong debut, but the fourfold increase – achieved on the back of a trading volume of HK$538.22m – was above expectations.

Gitic's issue, which raised HK$105m (US$13.6m), pulled in public applications worth more than HK$88bn in aggregate, an amount roughly equivalent to one-sixth of Hong Kong's entire foreign reserves. The company is indirectly controlled by the investment arm of Guangdong provincial government, China's wealthiest province. *Louise Lucas, Hong Kong*

Television Broadcasts slips

Television Broadcasts, Hong Kong's dominant terrestrial broadcaster, yesterday confirmed analysts' gloomiest expectations by posting a 1.72 per cent decline in net earnings from HK$485.53m in 1995 to HK$477.2m (US$61.9m) last year. However, TVB, which has been feeling the pinch from slashed advertising budgets, forecast a rebound in earnings for this year.

Earnings per share over the period fell 1.72 per cent from HK$1.16 to HK$1.14 and the directors are proposing to hold the final dividend at HK$0.80. *Louise Lucas*

TV holding lifts Bimantara

Bimantara, the Indonesian diversified holding company, reported a 34 per cent rise in net profit to Rp157.5bn ($65.5m) last year on a 21 per cent rise in revenue. Rajawali Citra Televisi Indonesia, Bimantara's 70 per cent-owned commercial television station, contributed 27 per cent of total earnings.

Analysts expect further growth in 1997, with RCTI possibly going public and other investments starting to bear fruit. *AP-DJ, Jakarta*

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N Brown pulls out and Littlewoods is back in the frame but once more wants exclusivity

Sears fails again to sell Freemans

By Peggy Hollinger

Sears, the retail conglomerate, yesterday further disappointed its already disgruntled shareholders with news that a second attempt to sell the mail order business Freemans for £395m ($628m) had collapsed in less than three months.

N Brown said yesterday it had "felt unable to proceed" after carrying out due diligence. However, it is understood that the talks collapsed after it tabled a bid some £40m-£50m lower than the £395m it initially indicated when it began serious discussions last month.

Sears said yesterday it had re-entered talks with Littlewoods, the private retail group, which bid £395m in January. Littlewoods withdrew its original offer when it emerged Sears had begun talks with N Brown, following a referral of its offer to the monopolies commission.

Littlewoods said yesterday it would only re-bid if it was granted exclusivity while carrying out its own due diligence. Sears had refused this request from Littlewoods following the first bid.

Shareholders and analysts were yesterday incredulous at the latest turn of events.

"What a fiasco," said one analyst. Although Littlewoods had revived its bid, there was no guarantee that it would stick with a £395m offer price. "Unless they are stupid, they will negotiate a lower price," the analyst said.

In the end, Sears could end up with a price not far from that being offered by N Brown, while shareholders would be penalised by facing a further delay on the proposed £410m payout from disposals, due in September.

Investors said yesterday they were increasingly frustrated by the management's track record. The company had failed on previous disposals, most notably the abortive sale of shoe businesses to the now collapsed Facia group.

Mr Liam Strong, chief executive, would have to show real trading improvements at the company's results meeting in April, said one shareholder, "or the board will have to do something".

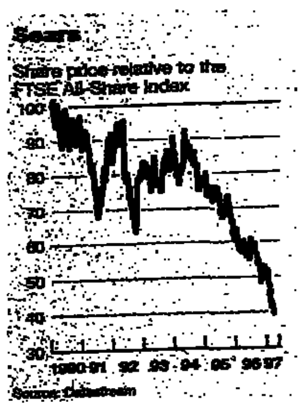
However, some institutions said they took comfort from the fact that Sears was holding out for the higher price. "You cannot criticise Sears' board for saying to N Brown 'You cannot get the business on the cheap'," said one shareholder.

There was speculation in the market that N Brown had found shareholders reluctant to back the £200m equity issue which would have been required to fund the deal.

N Brown is believed to have had £250m in financing arranged with Royal Bank of Scotland and Midland Bank to fund the deal.

LEX COMMENT

Sears



The problems at Sears appear interminable. It struggles to run the subsidiaries it wants to keep and seems unable to relinquish the businesses it wants to sell. First, various shoe retailers were sold off, only to bounce back with the collapse of the buyer, Facia. Now Freemans, the home shopping business, will not go away. And yet Mr Liam Strong, the chief executive, has consistently promised that recovery is just around the corner. The latest set-back is embarrassing and costly. The switch from negotiating with Littlewoods to N Brown and then back to Littlewoods has postponed completion of a Freemans sale by over six weeks. And Littlewoods, now in a stronger negotiating position, will want to extract a lower price, while Freemans can hardly be flourishing amid the uncertainty. So this is another example of this conglomerate's head office destroying value. Add its failure to raise profit margins above recessionary levels and poor returns on its hefty capital expenditure, and the picture looks bleak.

There are two possible routes to salvation. One is to *remove head office* and break-up the group. Selfridges alone should be worth over £600m, leaving the remaining businesses valued at close to zero, once the Freemans proceeds are repaid. The other is to develop a coherent strategy for focusing on core brands and rebuilding consumer confidence in them. Without a change of management, or at least a change of direction, shareholders are unlikely to be saved from further underperformance.

Strength of sterling hits McKechnie shares

By Christopher Price

A lossmaking contract and the sterling effect overshadowed a 30 per cent rise in half-year profits at McKechnie yesterday and sent shares in the Midlands engineering group down 21p to 545p.

Pre-tax profits of £28.1m ($44.7m) were struck on sales 20 per cent higher at £323.2m for the six months to January 31.

McKechnie said it was taking a £4.1m charge in the second half to cover the cost of terminating a lossmaking contract on a large plastic moulding order in the US.

The company, which makes more than half its revenue overseas, also warned that profits would be £2m lower if sterling continued at its present high rates.

However, Mr Stuart Moberley, finance director, said the sterling situation had to be viewed in the context of lower costs of plastics and metals, much of which the company imports. He estimated raw materials costs had declined by between 10 and 15 per cent in recent months.

The group's three divisions all performed positively. Specialist products, which manufactures predominantly fasteners, raised profits by 30 per cent to £12.2m boosted by acquisitions.

Sales were 16 per cent higher at £102.9m. Demand from the aerospace industry was particularly marked.

Recent acquisitions also helped the engineered plastics division where profits increased by 85 per cent to £11.1m on sales 37 per cent higher at £127m.

Three new overseas manufacturing facilities are being built to further expand the group's operations.

Dull housing markets in the UK and Australasia held back profits in the consumer products business, which rose 3 per cent to £7.3m. Sales were 6 per cent ahead at £93.4m.

However, Mr Moberley said there were signs of a pick-up in both markets which should begin to filter through in improved sales in its DIY products and building materials businesses by the end of 1997.

Gearing fell from 50 to 30 per cent. Earnings per share rose 21 per cent to 19.6p. The interim dividend is raised 8 per cent to 6.5p.

Pre-tax profits of about £57m post-exceptional are now expected, against £63m previously, with the shares trading on a prospective p/e of 13.5 times.

Fergus Wilde

New to the job: Andrew Walker

Lonrho may sell motor operation

By Ross Tieman

Lonrho may float Dutton-Forshaw Group, its UK motor distributor, Mr Nicholas Morrell, the conglomerate's chief executive, indicated yesterday.

The first signal about the future of Dutton-Forshaw accompanied confirmation at a protracted annual meeting of plans to float or sell Lonrho Sugar separately from the conglomerate's African trading arm, slated for demerger later this year.

A question mark has hung over Dutton-Forshaw, which includes Jack Barclay, the world's largest Rolls-Royce and Bentley dealership, since Lonrho announced plans in January last year to focus on its mining activities.

Mr Morrell told more than 500 shareholders in London that Dutton-Forshaw, which made operating profits of £10m last year on sales of £426m, was now the 13th largest motor dealer in Britain.

"I see every future for that company as an independent public company," he said in answer to a shareholder's question.

He gave no indication of how or when it might be demerged.

Later, a Lonrho adviser said no plans existed for a flotation, insisting Dutton-Forshaw remained "a core part of the business".

Mackie chairman to stand down

By John Murray Brown in Dublin

Mr Pat Dougan is to resign as executive chairman of Mackie International, the Belfast engineering company straddling the peace line, which he took to the market in 1994 in the wake of the IRA ceasefire.

His departure coincides with the announcement yesterday of pre-tax losses of £440,000 ($700,000) for last year, compared with profits of £3.3m in 1995. This was after £1.9m exceptional charges, covering write-downs in stock values, pensions and redundancies. The company will not pay a final dividend.

Mr Dougan denied suggestions he was "being rushed off the battlefield". But the move will be seen as a blow to a factory symbolising reconciliation between Protestants and Roman Catholics in west Belfast.

It was here that President Bill Clinton delivered his keynote address during his visit to Northern Ireland two years ago.

Mr Dougan, 64 next month, said: "I came here for a year and stayed for five". He will remain a non-executive director and a consultant.

Mr Sul Sahota, formerly a director of Burnfield, the engineering company taken over by Fairey Group in January, becomes chief executive. Mr Roger Looker returns as chairman.

The management reshuffle follows a collapse earlier this month of takeover talks after an approach from an unnamed UK bidder.

Saudi prince ends Granada hotel talks

By Scheherazade Daneshkhu, Leisure Industries Correspondent

Prince Alwaleed bin Talal bin Abdulaziz Alsaud is understood to have dropped out of bidding for Granada Group's Exclusive hotels because of price disagreements.

The prince, who bought the George V in Paris from Granada for £104m ($165.4m) in December, had been front runner to buy a package of the television and leisure group's European hotels.

These included the Hotel Eden in Rome, the Ritz in Madrid, the Hôtel Des Bergues in Geneva and the Bristol in Warsaw.

He is believed to think that the prices demanded by Granada are too high.

The prince is arranging financing to purchase seven of Lonrho's 10 North American-based Princess hotels for about $550m.

Granada acquired the 17 Exclusives, which have a book value of £801m, in its £3.9bn takeover of Forte more than a year ago and pledged to sell them sale to reduce borrowings.

However, it said last month it would keep the 595-room Grosvenor House in London after apparently failing to secure a buyer willing to pay the £350m asking price.

It announced yesterday the sale of the Plaza Athénée in New York for £42.5m to TCC International, a privately owned Thai group which owns the Imperial chain of hotels.

After unwinding a finance leasing arrangement, Granada will receive £11.6m, a premium to the $16.4m book value.

The 153-room hotel made pre-tax profits of £2m on turnover of £11.4m in the year to January 1996. The hotel is the seventh Exclusive to be sold and brings the total raised to £405.5m.

Prince Alwaleed offered last year to buy all 17 hotels for £700m-£750m in a joint bid with Marriott International but Granada rejected the price as too low.

● Norwegian Cruise Line Holding also announced yesterday that the prince, who last week took a 5 per cent stake in TransWorld Airlines, had subscribed to 5 per cent of its enlarged capital at a cost of $20m.

CONTRACTS & TENDERS

COMPANIES AND FINANCE: UK

Caradon to pay out £174m

By Andrew Taylor,
Construction Correspondent

Caradon, the building materials conglomerate, plans to return £174m ($276.7m) – *about a tenth of* the group's £1.75bn market value – to shareholders.

The capital reorganisation is the latest in a series of cash distributions by companies designed to avoid tax burdens on share buy-backs imposed in the last budget.

The move was announced as Caradon reported a 33 per cent rise in pre-tax profits to £152.5m in 1996. The shares rose 1½p to 255p.

Mr Peter Jansen, Caradon's chief executive, said the reorganisation would return value to shareholders, increase earnings per share and improve the group's financial efficiency.

Shareholders are being *offered nine* new ordinary shares and 2.54 new redeemable B shares for every 10 they own. Holders of every convertible preference would *receive nine new convertible* preference shares and 1.28 B shares for every 10.

The B shares will have limited voting rights and receive a net dividend of 77 per cent of the London inter-bank offered rate (Libor).

Caradon said shareholders would be able to redeem B shares at the £1 nominal value, free of dealing costs.

Similar schemes have been announced by Wassall, Yorkshire Water and Southern Electric. Severn Trent water *company also* plans a similar scheme. SBC Warburg has advised Caradon, Wassall, Yorkshire Water and Southern Electric.

Caradon's share price has suffered in recent years as UK and continental European construction markets have slumped during the recession. Last year it embarked on *sales of* non-core assets to refocus its operations on its building material interests.

Mr Jansen said yesterday: "We raised about £220m last year from selling non-core European businesses, as well as achieving £66m of savings in our continuing operations. We think it right that some of these benefits should be paid directly to shareholders."

The group has reduced its labour force by 6,000 to *20,000 since autumn* 1995 as a result of closures and disposals. The savings helped operating profits from continuing operations climb to £157.8m (£101.2m).

Disposals and closures resulted in net exceptional charges of £25.7m, offset by the release of deferred tax of £23.5m. Non-core assets still to be sold include some North American engineering interests.

Fergus Wallis

Peter Jansen: raised £220m last year from European disposals

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Arnotts ♣	Yr to Jan 31	69	(66.6)	6.8	(5.43)	29.5	(20.7)	7.25	June 30	6.25	11	9.5
Avonside	Yr to Dec 31	83.45	(79)	1.08	(5.21L)	3.85	(11.62L)	1	May 30	-	1	1
Bailey (Ben)	Yr to Dec 31 ★	24.3	(21.9)	0.742	(0.362)	4.83	(2.41)	1	June 20	0.75	1.3	1.05
Barratt Devs	6 mths to Dec 31	311.2	(277.2)	24.8	(19.1)	7†	(6.5)	3	May 23	2.75	-	8.25
Biocompatibles	Yr to Dec 31	11	(3.75)	18.5L	(8.86L)	33.8L†	(19.8L)	-	-	-	-	-
Black (A&C)	Yr to Dec 31	7.23	(7)	0.566	(0.564)	22.8	(25.7)	9.75	July 1	9.75	14	14
Brake Bros	Yr to Dec 31	550.7	(466.3)	24.1	(27.1)	30.8	(34.7)	7.3	July 3	6.8	10.2	9.5
Bridon	Yr to Dec 31	361.8	(333.9)	7.27♥	(0.099L)	6.7†	(1.5L)	3.78✱	July 4	3.025	5.5✱	4.4
British Fittings	Yr to Dec 31	79.1	(76.4)	3.57♠	(3.11)	7.64	(7.25)	2.85	May 27	2.4	4.2	3.6
Caradon	Yr to Dec 31	2,113	(2,094)	152.5♠	(114.3♠)	15.6	(9.2)	6.6	June 6	6.6	9.5	9.5
Cathay Intl	Yr to Dec 31	25.7	(28.5)	2.84	(4.84)	0.293	(0.036)	-	-	-	-	-
City Technology	6 mths to Dec 31 ✢	8.9	(7.88)	3.48	(2.8)	4.79	(3.9)	1.45	May 9	-	-	-
Clinton Cards	53 wks to Feb 2	136	(109.8)	5.22	(3.24)	17.57†	(12.05)	4.3	June 3	3.35	6.15	5.1
CLS	Yr to Dec 31	31.7	(27.8)	10.3	(8.26)	8.7†	(7.8)	3.3	May 29	3.15	5.5	5.25
Croda Intl	Yr to Dec 31	447.6	(458.6)	42.9♠	(25.3♠)	21.8	(10.3)	6.55	July 1	6.1	10	9.35
Dana Petroleum	Yr to Dec 31	0.052	(-)	0.89L	(0.689L)	0.21L	(0.37L)	-	-	-	-	-
Dawsongroup	Yr to Dec 31 ★	54.3	(74.1)	9.27♥	(10.6♠)	19.6	(22.8)	4	May 30	4	6	6
Fulmar	Yr to Dec 31	22.1	(20.8)	4.41	(4.13)	11.2	(13.6)	3	May 15	-	4.6	-
Gleeson (MJ)	6 mths to Dec 31	101	(90.9)	3.77	(3.48)	24.79	(22.87)	4.03	June 30	3.75	-	16.06
Healthcall	Yr to Dec 31	55.3	(52.2)	5.35	(7.85)	6.3	(9.2)	3.3	May 13	3.3	4.95	4.95
Horace Small	Yr to Dec 31	91.3	(80.2)	4.02	(3.19♠)	12	(10.2)	nil	-	nil	nil	nil
Johnston Group	Yr to Dec 31	151.1	(137.9)	5.65♠	(6.62)	30.94	(38.73)	7.5	July 2	7	12	11
Jones Group ♣	Yr to Dec 31	98.6	(86.7)	1L	(0.114)	8.6L	(1.2)	nil	-	nil	4	8
Just Φ	Yr to Dec 31	2.43	(1.83)	0.213	(0.312)	0.11†	(0.3)	-	-	-	-	-
Lavendon	Yr to Dec 31	13.2	(9.88)	2.71	(1.8)	13.76†	(10.66)	1.13	June 2	-	1.13	-
Mackie Intl	Yr to Dec 31	17.7	(22.7)	0.437L♠	(3.27)	4.8L†	(30.5)	nil	-	7.3	3.7	11
Malden	Yr to Dec 31 ✢	55.1	(36.5)	6.85♠	(2.29♠)	12	(-)	3.6	May 29	-	3.6	-
McKechnie	6 mths to Jan 31	323.3	(269.3)	28.1	(21.6)	19.6†	(16.2)	6.5	July 1	6	-	18
Metsec	Yr to Dec 31	63	(64.9)	3.44	(1.58♠)	14.9	(5.26)	2.8	July 2	2.2	4	3.3
Next	Yr to Feb 1	946.8	(773.8)	158.8♥	(141.9♥)	31.5	(28.2)	10	July 1	8	15	11.75
Nichols (JN)	Yr to Dec 31	72.6	(65.4)	9.77	(9.61)	16.77‡	(15.98)	4.65	May 19	4.3	7.1	6.63
Provend	6 mths to Dec 29	26	(22.2)	0.181♠	(0.135)	1.4	(1.2)	-	-	-	-	-
Quicks	Yr to Dec 31	365.4	(328.5)	5.21♥	(4.59♥)	14.5	(12.5)	4.25	June 13	3.75	7	6.25
Ruberoid	Yr to Dec 31	211.5	(239.8)	1.21♠	(8)	0.3L	(10.4)	4.2✱	June 2	4.2	6.1	6.1
Russell (Alex)	Yr to Dec 31	38.9	(38.1)	2.83	(3.11)	6.31	(6.94)	1.6	May 30	1.6	2.7	2.7
Spring Ram	Yr to Dec 28	297.7	(300)	36.8L♠	(43.6L♠)	8.2L	(8L)	nil	-	nil	nil	nil
Swan Hill	Yr to Dec 31	345.2	(352.1)	3.87L♥	(7.61L♠)	7.4L	(11.9L)	1.5	June 4	1.5	2.5	2.5
Thorpe (FW)	6 mths to Dec 31	11.3	(10.8)	1.21	(1.2)	6.29	(6.25)	1.37	May 13	1.33	-	4.18
TLS	Yr to Dec 31	52.4	(40.6)	5.81	(4.15)	9.5†	(7.9)	2.3	May 23	1.85	3.4	2.7
UK Safety	Yr to Dec 31	30.2	(27.5)	0.495♠	(1.4L♠)	1.3	(3.7L)	nil	-	0.8	nil	0.8
Unicorn Intl	Yr to Dec 31	102.1	(104.4)	7.31	(6.03)	16.6†	(24.8)	4.1	July 8	-	6.15	-
Whatman	Yr to Dec 31	85.8	(81.3)	12.1	(8.86)	33.14	(23.5)	8.8	May 16	7.8	13.3	11.8
Wolstenholme Rink	Yr to Dec 31	89.5	(75.8)	5.51♠	(7.53)	44.9	(65)	16	May 16	15	25.5	24
World of Leather	Yr to Dec 31	32.2	(29.2)	1.03	(0.517L)	4.7	(4.5L)	1.15	Apr 18	0.85	2	1.6

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		payment (p)	payment	dividend	year	year
BZW Endow II	3½ mths to Feb 28	46.2	(-)	0.958L	(-)	3.8L	(-)	-	-	-	-	-
Five Arrows Chile$	Yr to Dec 31	323	(390)	3.57	(4.66)	4	(5)	2	June 12	3	5	5

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♣Irish currency. ★Comparatives restated. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ✱Foreign income dividend. ΦAim stock. ✢Comparatives pro forma. ‡On reduced capital. $US currency.

Dana placing to raise £27.9m

By Robert Corzine

Dana Petroleum, the mainly Russian oriented explorer, is raising a net £27.9m ($44.4m) through a placing and open offer of more than 139m new shares, priced at 21½p each.

The company, which yesterday reported a pre-tax loss of £890,179 for 1996 from £52,562 turnover, is to use the funds to exercise options allowing it to expand shareholdings in three Russian companies involved in oil field developments in western Siberia. The funds are also earmarked for drilling expenses at the fields and other development expenditure, according to Dana.

Last year the company raised £17.4m to accelerate development of its Russian interests. On December 31 it had £9.5m left.

The placing and offer is the latest in a string of fund raising exercises by small *western oil companies* operating in the former Soviet Union.

Mr Charles Smith, Dana's chairman, said the proposed acquisitions "will substantially increase our proven and probable reserves." These would rise from just over 34m barrels to 94m barrels after the exercise of the options.

Upon completion of the acquisitions Dana would have "explicit board control" of the Russian joint ventures to develop the South Vat-Yoganskoye and Sortymskoye developments.

The company's decision to double its holding in a third company, Evikhon, to 10 per cent, will not be reflected in the reserve figures until Royal Dutch/Shell, the field's operator, formally approves a development plan, perhaps by mid-year.

Although Dana's focus remains on Russia, the company has recently entered an agreement to develop offshore acreage in Ghana. Mr Cross said the African expansion has the full backing of its Russian partners, which include Lukoil, the biggest Russian oil company, and Yukos. Dana expects the Russian companies to increase their activities in west Africa, possibly in conjunction with Dana.

The offer is underwritten by Guinness Mahon and UBS.

GA makes N Zealand disposal

General Accident, the composite insurer, has taken another step towards concentrating its life assurance operations on the UK market with the sale of its New Zealand life business for NZ$163.3m ($111.3m) to Prudential, writes Christopher Adams.

The group has no plans to sell its general insurance operation in New Zealand which earned NZ$300m in premium income last year, three times the turnover of the life arm.

"Our plan is to focus on *the UK and to use the UK to* sell into Europe on a branch basis," said Mr Philip Twy*man, group finance director*. GA is also planning to sell its life business in Puerto *Rico, which is valued at* $100m.

Prudential this week won the three way auction for Scottish Amicable, the UK life assurer, with its £2.87bn bid.

Recovering HFC pays its parent

By George Graham

HFC Bank, the credit card and personal loan group which operates the British Gas Goldfish card, is to pay its first dividend to Household International, its US parent, since it ran into bad debt trouble at the end of the 1980s.

HFC will distribute £14.2m ($22.6m) to Household after boosting pre-tax profits by 38 per cent to £54.9m last year, *its fourth consecutive year* of improving outcomes. Its problems culminated in a *loss of £23.2m* in 1992.

Mr Adrian Hill, chief operating officer, said he believed the business could grow at a compound rate of 10-15 per cent a year while remaining conservative in its lending. "You'd expect with our history that we'd have learnt to be very careful about credit quality".

HFC's main business in the UK remains the provision of personal loans through its 141 branches, as well as finance offered through retailers such as PC World.

Starting with the General Motors credit card in 1994, HFC has more than 1m cards in issue, and Mr Hill expects *that to double* by the end of this year. About 650,000 of those are GM cards and customers have used accumulated bonus points on them to help buy 40,000 Vauxhall cars.

It is estimated that about 350,000 British Gas Goldfish cards have been issued.

TECHNOLOGY

Sara Abdulla looks at research into cures using strands of synthetic DNA

Disease tied up in knots

From amoebas to antelopes, the appearance, function and behaviour of all living systems is dictated by proteins. The recipe or gene for every protein required by an organism is stored as a chemical code in the DNA double helix, lodged in the nucleus of every cell.

Oligonucleotides, small pieces of synthetic RNA and DNA, can interrupt this protein production line.

Oligos, as they are known, were discovered 30 years ago by Fritz Eckstein at the Max Planck Institute of Experimental Medicine in Germany but their therapeutic potential has been realised only over the past decade. They are opening the way to treatments for a range of diseases, from viral infections to Aids and leukaemia, and clinical trials are under way.

As with most gene therapy, there has been a problem delivering the drugs intact to the cell. Even now only a tiny fraction of an administered drug reaches its target. Oligos, being large molecules, are also difficult to manufacture in bulk. But scientists, mainly in the US, have recently started to get round these obstacles, reviving interest in oligos.

Oligos either disable the DNA double helix or "block off" messenger RNA (mRNA) – the single-stranded template which is transcribed from DNA and used in the cell to build a protein.

Antisense oligos are the most widely used type. Short pieces of single-strand DNA or RNA are designed so that they bind with those of a particular mRNA. This "zips up" the mRNA so that it cannot be translated into unwanted protein.

Triplex technology, another way to disrupt protein production, ties up DNA itself so that it cannot be transcribed into mRNA. In this case, an oligo eases into the groove down the centre of a DNA double helix and binds with both strands to form a useless triple helix.

Most oligo drugs in development are for cancers and viral infections. Cancers and viruses have surplus genes which are prime targets for suppression or deletion using triplex or antisense molecules. Conventional cancer chemotherapy is as toxic as it is beneficial. Oligonucleotides, on the other hand, appear to be highly effective at non-toxic doses.

Alan Gewirtz, professor of pathology and internal medicine at the University of Pennsylvania, reports "tantalising success rates" in 15 adult leukaemia patients he has treated in the past two years using oligos provided by California-based Lynx Therapeutics.

Gewirtz has seen remission rates increase by 50 per cent with minimal side-effects after purging his patients' bone marrow with an antisense oligo. He hopes that, on the strength of this promising preliminary data, the US National Institutes of Health will fund further human trials.

Oligos are relatively inexpensive – a maximum-dose course will probably cost between $3,000 (£1,852) and $4,000, no more than existing therapies. The cost and toxicity of oligonucleotide treatment is, however, still higher than necessary because of the delivery problems, since only a very small fraction of the drug reaches its target. A raw nucleotide string will be destroyed by enzymes long before it reaches its cellular target. So considerable packaging is needed to get an oligo to its target cell, through the cell membrane and into the nucleus – not only intact but in an active form.

At a recent Ciba Foundation symposium on oligos Mark Matteucci, director of California-based Gilead Sciences, joked that synthesising this packaging "could keep chemists busy for the next millennium".

Science Photo Library

Closer look: researchers are re-examining oligos' potential for drug therapies

Considerable energy has gone into the design and manufacture of oligo "analogues": oligos subtly altered so that they can withstand chemical attack yet still bind to DNA or mRNA.

Another problem is the repulsion between negatively charged cell membranes and oligos, which often have the same charge. One solution is to wrap molecules in a positively charged fatty coating. Because it has an opposite charge, the parcel is much more readily attracted and absorbed.

A newer method of getting the oligo to the cell relies on a standard gene therapy technique: an oligo can hitch a ride into a cell in the genome of a "disarmed" virus – one that is invasive but not toxic.

Once the oligo has reached the cell and bound with its target DNA or mRNA, the resulting molecule has to be cleared from the cell because it is toxic in large quantities. Until recently chemists have had to ensure that enzymes present in every cell can do this. Now scientists have developed a sophisticated type of self-clearing oligo called ribozymes, which destroy their targets after binding to them.

Isis Pharmaceuticals, another California-based company, is considered likely to have the first therapeutic oligo on the market with Formivirsen. This is designed to treat cytomegalovirus, a complication in Aids that causes blindness. It is being tested in Phase 3 clinical trials.

Isis is one of a handful of small, specialist US companies devoted almost exclusively to antisense and antigene research. Alone, these companies cannot afford clinical trials, so they exist in symbiosis with the big pharmaceutical companies, which have the cash but neither the time nor the expertise to bring large molecule drugs to the market.

Novartis, formerly Ciba-Geigy, has the marketing rights to Isis's drugs and pays all the development costs, while a Connecticut unit of German-based Boehringer Ingelheim is collaborating with Isis on an anti-inflammatory drug in Phase 2 trials. GlaxoWellcome pays Gilead $3m a year for the right to develop any of its drug candidates in the antisense and antigene area and Roche has a deal with Massachusetts-based Hybridon, whose anti-Aids oligo is in Phase 1 trials.

Brett Monia, director of molecular pharmacology at Isis, predicts further investments by the big drugs groups when the first clinical candidates hit the market, some time next year.

"Compared to the low molecular weight drugs, oligonucleotides are extremely safe and the raw-material costs have come down by 80 per cent over the last seven years," he says. "From now on, the speed at which new antisense and antigene drugs are going to be made and approved will be unprecedented."

Sara Abdulla is science writer in residence at the Ciba Foundation.

Beads offer a solution

How can delicate oral drugs get into the bloodstream without being destroyed by the digestive system?

Finding an answer could lead to new techniques for gene therapy. It would also allow patients to swallow fragile drugs such as insulin, instead of having to inject themselves.

In today's *Nature* scientists at Brown University in Providence, Rhode Island outline a promising solution to the problem. They have devised a drug delivery system consisting of tiny biodegradable drug-filled beads that protect the drug from the punishing conditions in the digestive tract and elsewhere in the body.

The microcapsules – which range from a tenth to five times the width of a strand of human hair – stick to and even penetrate the intestinal lining, then slowly erode to release the drug into the bloodstream.

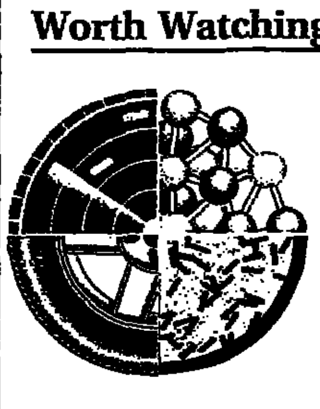
This approach has been tried before. But the Brown work is unusual because of the beads' composition and extremely small size.

The scientists used several substances in testing the drug delivery system on rats. Their most remarkable result was obtained when they used the system to deliver a sequence of genes in the form of "plasmid" DNA. This DNA, which normally degrades rapidly in the body, was incorporated in the cells of the liver and small intestine, producing a protein in five days.

It will take years of work before the method can be used on patients but researchers are hopeful that it could be used for treatments ranging from DNA-based vaccines to cancer chemotherapy. More immediately, they want to improve the treatment of inflammatory bowel disorders, such as peptic ulcers or Crohn's disease.

VH

Worth Watching · Vanessa Houlder



Sensor with a nose to sniff out bombs

An artificial "nose" that is sensitive enough to rival a dog's sense of smell could soon be used in searching for bombs at airports.

Bofors Applied Technologies of Sweden says it has developed a sensor that is up to 10,000 times more sensitive than conventional explosives detectors. It can detect as little as a picogram – a millionth of a millionth of a gram – of explosive in an air sample.

The sensor consists of a layer of antibodies on a quartz crystal which oscillates when an electric current is passed across it. If the antibodies come into contact with airborne molecules of the substance being detected, they leave the crystal and bind to the molecules. That changes the crystal's mass and hence the frequency at which it oscillates – setting off an alarm.

The device, which could also be used to search for narcotics, is expected to be launched in 1999.

Bofors Applied Technologies: Sweden, tel 58681925; e-mail: sten-anders.brink@bat.bofors.se

Cement made safe under pressure

Researchers at the Los Alamos National Laboratory in the US are developing a process that improves the strength, weight and chemical stability of cement.

The process extracts water from the cement by treating it with carbon dioxide under high pressure, so changing the chemical composition of the cement.

The process could make it safer to store radioactive material in cement because it would reduce the risk of hydrogen gas building up as a result of chemical reactions taking place in the cement.

Los Alamos National Laboratory: US, tel 5056677000; http://www.lanl.gov

Coach drivers can see clearly now

A water-repellent coating that can keep glass clean is being tested on coach windows by Daimler-Benz in Germany.

The hydrophobic coating consists of a silicon-based compound that is chemically bonded to the glass surface. The panes are coated by allowing them to stand for 10 minutes in a solution of the silicon compound. They are then rinsed, dried and polished. Because the treated window is virtually unwetable, water droplets are easily blown away by the air streaming past the windows. This means that the dirt dissolved in the droplets of water does not get a chance to dry. In addition, it gives the driver and passengers a better view out of the windows in wet weather.

Daimler-Benz: Germany, tel 7111793271; e-mail 100106.566@compuserve.com.

Notetaking taped by audio system

Copying notes from a tape recorder is usually a time-consuming and frustrating affair, requiring hours of constant fast-forwarding and rewinding.

An "audio notebook" designed at the Massachusetts Institute of Technology could reduce the time and effort needed to reconstruct quotations from a tape recorder.

A Media Lab researcher has designed a prototype notebook, which consists of an embedded speaker, microphone and sensors underneath a pad of paper. A photo sensor can detect the page numbers printed on the pad.

The device uses the user's writing and page turns to synchronise notetaking with the recording. Playback is triggered by the pressure of the pen on the surface of the notebook.

Massachusetts Institute of Technology: US, tel 6172532700; http://web.mit.edu/newsoffice/www/

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 27.03.97 / Final Prices for Trading on 27.02.97

Half hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	14.22	11.66	12.82
0100	14.22	12.06	13.22
0130	14.22	18.21	18.36
0200	14.22	18.21	18.36
0230	14.22	18.21	18.36
0300	14.22	41.00	42.16
0330	14.22	41.00	42.16
0400	14.22	12.06	13.22
0430	11.66	12.06	13.22
0500	11.62	11.66	12.82
0530	11.62	11.63	11.63
0600	11.65	11.65	11.65
0630	11.66	11.70	11.70
0700	19.38	19.78	20.94
0730	25.33	22.44	23.59
0800	26.55	22.81	23.97
0830	25.65	28.34	29.49
0900	30.72	28.34	29.50
0930	35.67	28.34	29.50
1000	35.67	28.34	29.50
1030	35.67	28.34	29.50
1100	35.67	28.34	29.50
1130	30.72	28.34	29.50
1200	34.73	47.23	48.39
1230	34.73	47.23	48.38
1300	25.33	47.22	48.38
1330	25.18	28.34	29.50
1400	23.23	22.81	23.97
1430	23.28	22.81	23.97
1500	23.23	22.81	23.97
1530	23.23	22.81	23.97
1600	22.88	22.81	23.97
1630	23.23	22.82	23.98
1700	28.18	29.46	30.62
1730	25.86	29.53	30.72
1800	25.88	43.24	44.50
1830	25.87	52.73	54.03
1900	39.41	52.67	53.95
1930	42.68	48.82	50.03
2000	46.05	42.95	44.11
2030	36.70	29.46	30.62
2100	30.17	29.44	30.59
2130	25.18	22.81	23.97
2200	22.88	22.81	23.97
2230	19.38	19.56	20.72
2300	18.44	19.56	20.72
2330	12.00	11.70	12.86
2400	11.63	11.70	11.70

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Energy Settlements and Information Services Limited

Durable goods data hit Treasuries

GOVERNMENT BONDS

By Lisa Bransten in New York and Samer Iskandar in London

Signs of strength in the manufacturing sector and continued reaction to Tuesday's interest rate increase sent US Treasury prices lower yesterday morning.

By early afternoon in New York, the benchmark 30-year Treasury was $\frac{7}{32}$ lower at $95\frac{7}{32}$ to yield 6.985 per cent, while the two-year note was down $\frac{1}{32}$ to 99¾, yielding 6.368 per cent. The June 30-year bond future was ¾ weaker at $108\frac{4}{32}$.

The yield curve that traces the spread between the two-year note and the long bond flattened by a further 2 basis points to 61 points as traders bet that Tuesday's rate rise would be good for the long end of the market.

The yield on the long bond rose momentarily above 7 per cent on data showing that durable goods orders rose 1.5 per cent last month on the heels of January's 4.1 per cent gain.

The figure caused concern that Tuesday's increase in the federal funds target rate by 25 basis points to 5¼ per cent might be followed by a series of tightenings.

"The strong back-to-back gains signal a likely acceleration in factory activity in the second quarter," said Mr Joseph Liro of CIBC Wood Gundy.

Also weighing on the market was an afternoon auction of $13.75bn in five-year notes. Existing five-year notes were off $\frac{1}{32}$ at $98\frac{3}{32}$ to yield 6.656 per cent.

European markets were dragged down from their early highs by the fall in US Treasuries.

German bunds closed slightly lower, but outperformed the US. In early trading the London-listed June bund future rose to a high of 100.50, before closing at 100.23, down 0.24.

West German cost of living data were weaker than expected. The consumer price index fell by 0.1 per cent in March, against expectations of a 0.1 per cent rise. The annual growth rate slowed to 1.6 per cent.

"With these data, much of the inflation jump at the beginning of the year has proven to have been seasonal," said economists at UBS in Frankfurt. "In the medium term, inflation should oscillate around the current level of 1.6 per cent. This is some relief from inflation worries."

Italian bonds performed strongly. In London, the June BTP future settled at 125.38, up 0.17, while in the cash market the 10-year bond yield spread over bunds tightened 3 basis points to 184 points.

Strong demand seen at 10-year UK gilts auction

UK gilts were lifted in the morning by strong demand at the Bank of England's auction of £2.5bn of 7.25 per cent gilts due 2007, but fell later under pressure from a weaker US market, Samer Iskandar writes.

In London, the June long gilt future rose from its opening level of $109\frac{3}{32}$ to a high of $109\frac{3}{16}$, before retreating in the afternoon to close at $109\frac{7}{32}$, down $\frac{5}{16}$.

Bids at the auction covered 3.09 times the amount on offer and the tail – the difference between the average and highest accepted yields – stretched out only one basis point.

Analysts said a combination of favourable factors made the new bonds attractive. At 185 basis points, gilts' yield spread over 10-year German bunds was at a two-month high. By the end of the session, this had widened by 1 basis point to 186 points.

Also, the shape of the yield curve made the 10-year paper look cheap relative to other maturities. Mr Kevin Adams, gilts analyst at BZW, said investors could pick up around 8 basis points in yield by selling a combination of five-year and 20-year gilts, and buying the 10-year bonds instead.

Seven-year lira FRN launched by Pemex

INTERNATIONAL BONDS

By Edward Luce and Samer Iskandar

Although one trader likened it to a "bear snoring in winter", the market was kept relatively busy yesterday with a series of small but eye-catching issues.

Pemex, the Mexican oil company, kept Italian investors awake with the first seven-year eurolira bond by a Mexican issuer.

The floating-rate L350bn offering, lead-managed by J.P. Morgan Securities, was priced to yield 170 basis points over BTPs – the tightest spread to date by a Mexican issuer in lire.

Officials said the bond was distributed mostly in Italy, with fund managers leading the demand.

With five-year and 10-year Mexican sovereign lira deals already in the market, Pemex's offering completed the yield curve. Pemex has also issued a two-year bond in lire. "Given the volatility in the Italian market, it made sense to go for a floating-rate structure," said a syndicate official.

Italian investors also bought heavily into an IFC R100m eurorand offering lead-managed by Toronto Dominion Bank. The five-year deal has a coupon of 14.75 per cent.

The European Bank for Reconstruction and Development reopened both its 30-year and 20-year zero-coupon rand issues with tranches of R1bn and R2bn, respectively. The issues were sold at the reoffer prices of 6.94 per cent and 2.7 per cent respectively.

Officials at Toronto Dominion, lead manager of both tranches, said the paper was mainly distributed to retail investors. "The popularity of zero-coupon rand debt has been stimulated by the gains made by investors in zero-coupon lira bonds last year," said one trader.

The African Development Bank tapped the French franc sector with an unusual structure. The 10-year bonds offer a fixed-rate coupon for the first three years, reverting to a floating rate in the remaining seven years.

The floating rate of 4.25 per cent offers almost a full percentage point over three-month interbank rates in Paris, but the fixed rate is well below the Tec-10 index of 10-year OAT yields.

"The very rare structure was mainly driven by the specific demand of one large investor," said lead manager CCF. "But we managed to match this with the borrower's specific requirements."

Elsewhere, Deutsche Bank Finance kept Belgian retail investors happy with an 8 per cent coupon in New Zealand dollars. The NZ$100m five-year offering was also distributed to Swiss and German investors, said joint leads Deutsche MG and Toronto Dominion.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
Kingdom of Denmark(s)★	400	5.90#	99.13	Apr 2000	0.20	-	Yamaichi Int (Europe)
Swedish Export Credit(l)	70	6.00#	100.00	Apr 2000	0.10	-	Nikko Europe
Banque de la Méditerranée	50	9.25#	100.00R	Apr 2002	0.10R	+260(6%%-02)	Paribas Capital Markets
■ D-MARKS							
GECC(s)	250	4.625	99.44R	Dec 2001	0.25R	+8(4¼%Nov01)	Paribas Capital Markets
■ FRENCH FRANCS							
African Development Bank‡	500	(a)	100.225R	Apr 2007	0.325R	-	CCF
■ ITALIAN LIRE							
Pemex‡	350bn	(b)	99.75R	Apr 2004	0.55R	-	JP Morgan Securities
ING Bank‡	200bn	(c)	100.2905	Apr 1999	0.35	-	IMI Bank Luxembourg
Oest Postsparkasse(d)	100bn	7.50	100.07	Dec 2005	2.00	-	BNL/Cariplo
■ PESETAS							
Venantius(s)	10bn	6.427	100.00	Sep 2000	undisc	-	Argentaria
■ EUROS							
Crédit Local de France(s)	100	5.625	101.72	Dec 2002	1.875	-	BIL
■ NEW ZEALAND DOLLARS							
Deutsche Bank Finance	100	8.00	100.725	Apr 2002	1.375	-	DMG/Toronto Dominion
■ RAND							
EBRD(e)	2bn	zero	6.945R	Apr 2017	0.15R	-	Toronto Dominion Bank
EBRD(f)	1bn	zero	2.70R	Apr 2027	0.10R	-	Toronto Dominion Bank
International Finance Corp	100	14.75	99.85R	Apr 2002	0.25R	-	Toronto Dominion Bank
■ CZECH KORUNA							
Oesterreichische Kontrollbank	1bn	10.25	100.00R	Apr 2000	0.25R	-	Creditanstalt-Bankverein
Deutsche Finance (Neths)	750	10.50	99.95R	Apr 2001	0.30R	-	Deutsche Morgan Grenfell

Final terms, non-callable unless stated. Yield spread (over govt bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) 4¼% to 25/4/00, then Tec-10 -94bp. b) 3-mth Libor +165bp. c) 3-mth Libor -15bp. d) Fungible with L400bn. Plus 138 accrued. e) R2.5bn launched 26/3/97 increased to R4.5bn. f) R5bn launched 26/3/97 increased to R6bn. § Long 1st coupon. s) Short 1st coupon.

CAPITAL MARKETS NEWS DIGEST

Euro-linked bond issuance surges

The volume of bonds denominated in euros rose from zero to over 5 per cent of total eurobond issuance in the first quarter of 1997, according to figures released by Capital Data Bondware yesterday.

Total bond issuance rose from $185bn in the first three months of 1996 to $197.2bn in the first quarter of this year, according to preliminary data. Of this, $10.7bn was denominated in euros or fungible into euros once the European single currency comes into being.

Leading European borrowers, including the European Investment Bank, Italy, Austria, Portugal and Spain, all launched bonds either denominated in the future currency or linked to its creation.

The EIB issued a multi-currency bond in D-Marks, French francs, escudo and guilders which can be converted into euros once the currency is created. All four tranches of the EIB bond have a coupon of 5.75 per cent and will mature in February 2007. The bond has an aggregate value of 1.5bn euros or $1.8bn.

The EIB also had the distinction of being the first issuer to launch a euro-denominated bond with a E1bn offering in January. Italy became the first sovereign to launch a euro-denominated bond with a seven-year E1bn offering earlier this month.

Sterling and dollar-denominated eurobonds were also popular in the first quarter, reflecting both currencies' appreciation against the D-Mark and other European currencies in the same period.

Total sterling issuance rose from $14.8bn in the first three months of 1996 to $26.4bn in the first quarter of 1997. Eurodollar issuance rose from $85.6bn to 80.5bn over the same period.

Fannie Mae, the US Federal Mortgages Association, issued the first global bond to be denominated in sterling with a £1bn offering in February. Officials at Fannie Mae said that it was one of its most successful launches in a European currency. Fannie Mae is also looking at the possibility of a global bond in lira.

In contrast to sterling's popularity, the volume of D-Mark denominated issuance fell sharply, from $42.1bn in 1996 to $28.4bn so far this year. Bond analysts attribute the D-Mark's declining popularity to the currency's low-yielding status. Issuance in Japanese yen also fell, while bonds denominated in lira remained at broadly similar levels to last year.

Edward Luce

'Nifty fifty' options planned

The Chicago Board Options Exchange on April 9 will list options on an index of the "nifty fifty" – 50 multinational companies based in the US that have led the US equity market in earnings this year. The companies derive a large portion of their earnings from foreign income, and have cash-flows denominated in multiple currencies. The index, formally known as the Morgan Stanley Multinational Index, is weighted more heavily toward foods, drugs, electronics, and business machines that the broader US market.

Laurie Morse, Chicago

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	91.3840	–0.440	8.04	7.98	7.31
Austria		5.625	01/07	98.5500	–0.170	5.82	5.88	5.50
Belgium		6.250	03/07	101.7300	–0.220	6.01	6.06	5.53
Canada *		7.000	12/06	102.4700	–0.650	6.65	6.62	6.15
Denmark		8.000	03/06	108.6600	–0.140	6.69	6.79	6.14
France	BTAN	4.750	03/02	99.3750	–	4.84	4.79	4.28
	OAT	5.500	04/07	97.9200	–0.030	5.77	5.77	5.34
Germany Bund		6.000	01/07	100.7400	–0.270	5.90	5.95	5.50
Ireland		8.000	08/06	107.4500	–0.310	6.90	6.98	6.32
Italy		6.750	02/07	93.2900	+0.170	7.73†	7.67	7.12
Japan	No 143	6.300	09/01	120.7643	+0.390	1.47	1.31	1.37
	No 182	3.000	09/05	105.1714	+0.410	2.28	2.26	2.39
Netherlands		5.750	02/07	99.9000	–0.180	5.76	5.80	5.25
Portugal		9.500	02/06	116.3000	–0.100	7.00	7.08	6.70
Spain		7.350	03/07	101.6600	–0.230	7.10	7.21	6.64
Sweden		8.000	08/07	104.4241	+0.220	7.37	7.48	6.57
UK Gilts		7.000	06/02	98–20	–6/32	7.32	7.19	6.73
		7.250	12/07	97–18	–7/32	7.59	7.60	7.12
		9.000	10/08	110–01	–9/32	7.68	7.67	7.21
US Treasury *		6.250	02/07	96–03	–25/32	6.80	6.73	6.31
		6.625	02/27	95–12	–36/32	7.00	6.97	6.60
ECU (French Govt)		7.000	04/06	105.2200	+0.040	6.23	6.33	5.73

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest / Treasury Bills and Bond Yields

		One month	-	Two year	6.38
Prime rate	8¼	Two month	-	Three year	6.51
Broker loan rate	7	Three month	5.40	Five year	6.66
Fed.funds	5½	Six month	5.61	10-year	6.79
Fed.funds at intervention	-	One year	5.90	30-year	6.99

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	127.98	128.20	+0.10	128.44	127.84	189,985	157,219
Sep	126.36	126.60	+0.10	126.42	126.22	232	2,041
Dec	96.06	96.30	+0.10	96.06	96.06	2	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Apr	May	Jun	PUTS Apr	May	Jun
127	1.20	1.46	1.81	-	0.26	0.82
128	0.20	0.81	1.18	-	0.61	0.98
129	-	0.36	0.70	0.80	1.16	1.50
130	-	0.12	0.37	1.80	1.92	2.18
131	-	0.03	0.17	2.80	2.82	2.86

Est. vol. total, Calls 35,070 Puts 48,344. Previous day's open int., Calls 156,631 Puts 173,390

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	100.22	100.23	-0.24	100.50	99.86	208625	243913
Sep	99.19	99.30	-0.24	99.42	99.19	748	1647

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS May	Jun	Jul	Sep	PUTS May	Jun	Jul	Sep
10000	0.72	1.01	0.75	1.08	0.49	0.78	1.45	1.78
10050	0.46	0.73	0.56	0.87	0.73	1.00	1.76	2.07
10100	0.26	0.51	0.41	0.69	1.03	1.28	2.11	2.39

Est. vol. total, Calls 26903 Puts 16755. Previous day's open int., Calls 182961 Puts 206115

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	124.75	125.38	+0.17	125.67	124.60	68796	107006
Sep	125.50	125.43	+0.17	125.50	125.50	14	3082

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Jun	Sep	PUTS Jun	Sep
12500	1.84	2.83	1.46	2.40
12550	1.56	2.54	1.68	2.61
12600	1.30	2.30	1.92	2.87

Est. vol. total, Calls 6960 Puts 5137. Previous day's open int., Calls 93348 Puts 103040

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	111.25	111.40	–0.24	111.62	111.17	67,017	70,241
Sep	–	110.63	–	–	–	–	–

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	109-03	109-07	-0-10	109-18	108-30	83701	176998
Sep		108-26	-0-09			0	0

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS May	Jun	Jul	Sep	PUTS May	Jun	Jul	Sep
109	1-01	1-29	1-36	2-04	0-51	1-15	1-48	2-16
110	0-35	0-61	1-09	1-40	1-21	1-47	2-21	2-52
111	0-17	0-38	0-51	1-16	2-03	2-24	2-63	3-28

Est. vol. total, Calls 285 Puts 1145. Previous day's open int., Calls 64394 Puts 25244

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.20	93.64	+0.14	93.70	93.10	2,320	4,867

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	108-26	108-14	-0-09	108-28	108-09	149,678	425,273
Sep	108-11	107-31	-0-09	108-12	107-26	2,304	30,278
Dec	-	107-26	-	-	107-24	200	5,293

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	125.94			125.98	125.83	2385	n/a
Sep	124.68			124.68	124.60	35	n/a

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FTSE Actuaries Govt. Securities

Price Indices UK Gilts	Wed Mar 26	Day's change %	Tue Mar 25	Accrued interest	xd adj. ytd
1 Up to 5 years (19)	119.47	–0.05	119.53	1.90	3.40
2 5-15 years (21)	149.09	–0.14	149.30	3.00	2.23
3 Over 15 years (7)	168.71	–0.25	169.14	4.15	3.16
4 Irredeemables (5)	193.15	0.38	192.43	3.25	2.37
5 All stocks (51)	143.25	–0.13	143.44	2.80	2.99

UK Indices

	Low coupon yield Mar 26	Mar 25	Yr. ago	Medium coupon yield Mar 26	Mar 25	Yr. ago	High coupon yield Mar 26	Mar 25	Yr. ago
5 yrs	7.35	7.32	7.61	7.42	7.38	7.54	7.48	7.42	7.64
15 yrs	7.70	7.70	8.26	7.72	7.69	8.27	7.67	7.82	8.39
20 yrs	7.76	7.78	8.34	7.76	7.72	8.34	7.68	7.65	8.44
Irred.†	7.87	7.90	8.39						

Index-linked	Mar 26	Day's change %	Mar 25	Accrued interest	xd adj. ytd		Inflation 5% Mar 26	Mar 25	Yr. ago	Inflation 10% Mar 26	Mar 25	Yr. ago
6 Up to 5 years (2)	203.19	-0.01	203.22	0.75	2.18	Up to 5 yrs	3.35	3.32	3.02	2.59	2.56	1.58
7 Over 5 years (10)	195.30	-0.17	195.63	1.39	1.81	Over 5 yrs	3.61	3.59	3.61	3.40	3.38	3.90
8 All stocks (12)	195.08	-0.15	195.37	1.29	1.83							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Mar 26	Mar 25	Mar 24	Mar 21	Mar 20	Yr ago	High*	Low*
Govt. Secs. (UK)	93.92	94.00	94.11	93.80	93.88	92.31	96.74	91.59
Fixed Interest	117.59	117.65	117.89	117.86	118.05	110.76	120.18	110.74

Gilt Edged Activity Indices

	Mar 25	Mar 24	Mar 21	Mar 20	Mar 19
Gilt Edged bargains	NA	94.5	94.5	107.3	168.4
5-day average	NA	118.8	118.6	115.0	110.2

UK GILTS PRICES

[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for July 1996: 152.4 and for February 1997: 155.0.

Other Fixed Interest

[illegible]

■ "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real index-linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on March 26

U.S. DOLLAR STRAIGHTS / SWISS FRANC STRAIGHTS / YEN STRAIGHTS / OTHER STRAIGHTS / DEUTSCHE MARK STRAIGHTS / FLOATING RATE NOTES / CONVERTIBLE BONDS

[illegible]

* Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

CURRENCIES AND MONEY

Pound gains on strong economy

MARKETS REPORT

By Simon Kuper

Sterling continued its rebound of the past week yesterday, as sentiment over the UK economy improved further.

UK trade figures for February emerged slightly better than expected yesterday. They followed firm UK current account data, and eased fears that the pound's rally over the past 8 months has left British industry stricken. A successful gilts auction also helped sterling.

The currency rose 1.6 pfennigs against the D-Mark and 0.8 cents against the dollar to close in London at DM2.753 and $1.627 respectively. It gained another Y1.3 against the yen to Y201.9.

Mr Jeremy Hawkins, chief economist at the Bank of America in London, said the 25-basis-point rise in the US federal funds rate on Tuesday had sent traders searching for other countries that might raise interest rates soon. The UK had appeared the most likely candidate, he said.

The dollar moved little against the yen and D-Mark, despite the Fed rate rise and data yesterday showing record US durable goods orders in February. The US currency firmed fractionally to close at Y124.1 against the yen and DM1.692 against the D-Mark in London. The market thinks Tokyo and perhaps also Washington regard Y125 as a political cap for the dollar against the Japanese currency.

■ The lira rose on reports that Italy's cabinet would today agree a mini-budget designed to raise the country's chances of meeting the budget deficit criteria for European monetary union. The package is to include L15.3tr of deficit cutting measures, said Mr Enrico Micheli, Italian cabinet secretary. The lira had slumped early in the day to L1,004 against the D-Mark, but recovered to close L4.6 up on Tuesday's close at L996.4.

Some currency strategists called the mini-budget a series of one-off measures and accounting tricks. They pointed out that it avoided raising taxes or cutting welfare spending.

However, Mr Avinash Persaud, currency strategist at JP Morgan in London, said the market's fears of an Emu delay were easing. He noted talk of a mini-budget in Germany, which would help that country meet the fiscal criteria for joining Emu.

■ The market had expected Tuesday's Federal Reserve rate rise. Accordingly, the dollar barely reacted to it. But now that the rise is out of the way, the market is still a long way from answering the question, "Whither the dollar?"

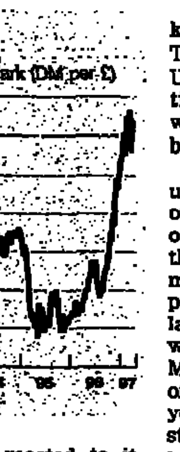
The rate increase itself gives little clue as to whether the currency should keep rising or not. Historically, the dollar tends to drop on rate rises, because it suffers with US asset markets. On the other hand, Tuesday's rate rise makes US yields even more attractive than most rates elsewhere, so the dollar could benefit.

There is a mass of other uncertainties. The US economy is booming. On the other hand, the market thinks Japan and Germany may now be recovering, with possible interest rate rises late this year – but it is waiting for more evidence. Mr Yasuo Matsushita, Bank of Japan governor, suggested yesterday that rates would stay on hold for the meanwhile. Also, with the Japanese financial year over by the start of April, many Japanese investors are expected to start exporting capital soon. That could hit the yen.

Helping the yen, on the other hand, are recent complaints from Washington officials about the growing US trade deficit with Japan. Those groans may gather volume when Mr Robert Rubin, US treasury secretary, visits Japan next week. But will trade be enough to weaken the dollar, given the strong US economy and yields, and the Japanese year-end?

The answer is that few in the market have a clear view. That is why the dollar has been treading water recently.

Traders are now trying to decide whether Tuesday's rate rise was the first of many. Strong US payrolls figures next week would suggest it is. If the belief forms that US rates will rise fast, the market may start taking a clear view on the dollar at last. What that view will be is another question.



■ Pound in New York

Mar 26	—Latest—	— Prev. close —
£ spot	1.6280	1.6195
1 mth	1.6274	1.6189
3 mth	1.6258	1.6172
1 yr	1.6183	1.6089

■ OTHER CURRENCIES

Mar 26	£	$
Czech Rp	47.6766 - 47.7518	29.3160 - 29.3480
Hungary	288.376 - 288.517	177.320 - 177.370
Iran	4881.60 - 4878.90	3000.00 - 3000.00
Kuwait	0.4933 - 0.4943	0.3033 - 0.3038
Poland	5.0188 - 5.0248	3.0860 - 3.0880
Russia	9307.31 - 9317.35	5723.00 - 5726.00
U.A.E.	5.9685 - 5.9767	3.6700 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Mar 26		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	19.3747	+0.1099	645 - 848	19.3998	19.1862	19.3312	2.7	19.2747	2.1	-	-	103.8
Belgium	(BFr)	56.8191	+0.316	627 - 755	56.8770	56.2410	56.6941	2.6	56.4341	2.7	55.1091	3.0	103.6
Denmark	(DKr)	10.4976	+0.0647	931 - 021	10.5080	10.3905	10.4756	2.5	10.4321	2.5	10.2221	2.6	105.9
Finland	(FM)	8.1647	+0.0002	564 - 729	8.1740	8.1050	-	-	-	-	-	-	84.0
France	(FFr)	9.2824	+0.0533	767 - 881	9.2950	9.1943	9.2603	2.9	9.2166	2.8	8.9995	3.0	106.6
Germany	(DM)	2.7528	+0.0156	515 - 540	2.7577	2.7250	2.7462	2.9	2.7327	2.9	2.6659	3.2	105.4
Greece	(Dr)	434.749	+3.849	547 - 951	436.158	428.527	-	-	-	-	-	-	66.1
Ireland	(I£)	1.0348	+0.008	337 - 358	1.0360	1.0263	1.0345	0.3	1.0336	0.5	1.027	0.8	102.7
Italy	(L)	2743.27	+2.87	129 - 525	2752.66	2730.16	2746.67	-1.5	2751.52	-1.2	2754.32	-0.4	75.9
Luxembourg	(LFr)	56.8191	+0.316	627 - 755	56.8770	56.2410	56.6941	2.6	56.4341	2.7	55.1091	3.0	103.6
Netherlands	(Fl)	3.0978	+0.0202	960 - 995	3.1020	3.0649	3.0897	3.1	3.0739	3.1	2.9984	3.2	103.2
Norway	(NKr)	10.8843	+0.0826	798 - 888	10.8952	10.7193	10.8598	2.7	10.8113	2.7	10.5858	2.7	102.7
Portugal	(Es)	277.068	+1.66	910 - 226	277.347	274.516	277.208	-0.6	277.493	-0.6	-	-	94.6
Spain	(Pta)	233.455	+0.926	358 - 552	233.950	231.580	233.589	-0.7	233.455	0.0	231.98	0.6	77.8
Sweden	(SKr)	12.4304	+0.028	220 - 388	12.4879	12.3966	12.4114	1.8	12.3719	1.9	12.1759	2.0	84.0
Switzerland	(SFr)	2.3873	+0.0142	859 - 887	2.3902	2.3656	2.3785	4.4	2.3606	4.5	2.2765	4.6	102.6
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	98.5
Ecu	-	1.4161	+0.0072	154 - 168	1.4176	1.4038	1.4139	1.9	1.4092	1.9	1.3841	2.3	-
SDR†	-	1.171650	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6265	+0.0078	261 - 270	1.6288	1.6159	-	-	-	-	-	-	-
Brazil	(R$)	1.7262	+0.0083	255 - 268	1.7284	1.7155	-	-	-	-	-	-	-
Canada	(C$)	2.2356	+0.0047	345 - 366	2.2377	2.2223	2.2297	3.1	2.219	3.0	2.1744	2.7	85.2
Mexico	(New Peso)	12.8757	+0.0845	640 - 874	12.8896	12.7704	-	-	-	-	-	-	-
USA	($)	1.6268	+0.0078	263 - 272	1.6290	1.6161	1.6262	0.4	1.6244	0.6	1.6165	0.6	104.4
Pacific/Middle East/Africa													
Australia	(A$)	2.0770	+0.0079	757 - 782	2.0796	2.0620	2.0769	0.1	2.0761	0.2	2.072	0.2	98.2
Hong Kong	(HK$)	12.6073	+0.0621	014 - 132	12.6243	12.5228	12.6027	0.4	12.5917	0.5	12.5516	0.4	-
India	(Rs)	58.3109	+0.2292	541 - 677	58.3690	57.9690	-	-	-	-	-	-	-
Israel	(Shk)	5.4787	+0.0291	722 - 851	5.4854	5.4376	-	-	-	-	-	-	-
Japan	(Y)	201.880	+1.294	743 - 017	202.220	199.860	200.91	5.8	199.05	5.6	190.44	5.7	122.0
Malaysia	(M$)	4.0371	+0.0252	352 - 390	4.0419	4.0043	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3462	+0.0189	447 - 477	2.3488	2.3299	2.3491	-1.5	2.3542	-1.4	2.3744	-1.2	115.4
Philippines	(Peso)	42.6925	+0.2237	387 - 463	42.6553	42.6550	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.1012	+0.029	993 - 031	6.1094	6.0628	-	-	-	-	-	-	-
Singapore	(S$)	2.3621	+0.0275	606 - 635	2.3645	2.3300	-	-	-	-	-	-	-
South Africa	(R)	7.1968	+0.0489	923 - 012	7.2043	7.1374	-	-	-	-	-	-	-
South Korea	(Won)	1447.81	+8.52	415 - 146	1451.55	1438.31	-	-	-	-	-	-	-
Taiwan	(T$)	44.8577	+0.2218	046 - 107	44.9110	44.5750	-	-	-	-	-	-	-
Thailand	(Bt)	42.3362	+0.2665	163 - 560	42.3870	42.0270	-	-	-	-	-	-	-

† Rates for Mar 25. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Mar 26		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J P Morgan index
Europe													
Austria	(Sch)	11.9101	+0.0109	071 - 130	11.9315	11.8580	11.8954	1.5	11.8501	2.0	11.6551	2.1	103.7
Belgium	(BFr)	34.9280	+0.028	030 - 530	34.9650	34.7770	34.868	2.1	34.7405	2.1	34.2005	2.1	103.7
Denmark	(DKr)	6.4531	+0.0091	521 - 541	6.4617	6.4250	6.4442	1.7	6.4258	1.7	6.3441	1.7	105.5
Finland	(FM)	5.0190	-0.024	153 - 227	5.0475	5.0098	5.0102	2.1	4.9915	2.2	4.909	2.2	83.1
France	(FFr)	5.7061	+0.0056	042 - 080	5.7180	5.6844	5.6954	2.3	5.6744	2.2	5.5661	2.5	106.4
Germany	(DM)	1.6922	+0.0015	919 - 925	1.6955	1.6853	1.689	2.3	1.6825	2.3	1.6488	2.6	105.2
Greece	(Dr)	267.250	+1.16	200 - 300	268.290	264.950	268.805	-7.0	271.375	-6.2	282.4	-5.7	66.3
Ireland	(I£)	1.5722	-0.0015	710 - 733	1.5765	1.5661	1.5717	0.3	1.5712	0.3	1.5725	0.0	-
Italy	(L)	1686.35	-6.3	560 - 710	1695.80	1684.60	1689.35	-2.1	1694.2	-1.9	1704	-1.0	75.4
Luxembourg	(LFr)	34.9280	+0.028	030 - 530	34.9650	34.7770	34.868	2.1	34.7405	2.1	34.2005	2.1	103.7
Netherlands	(Fl)	1.9043	+0.0034	037 - 048	1.9080	1.8954	1.9005	2.4	1.8925	2.5	1.857	2.5	103.3
Norway	(NKr)	6.6908	+0.019	898 - 918	6.7087	6.6250	6.6871	0.7	6.6814	0.6	6.6558	0.5	103.6
Portugal	(Es)	170.320	+0.21	270 - 370	170.570	169.780	170.45	-0.9	170.6	-0.7	170.335	0.0	95.1
Spain	(Pta)	143.510	-0.115	490 - 530	143.860	143.160	143.6	-0.8	143.72	-0.6	143.515	0.0	77.6
Sweden	(SKr)	7.6413	-0.0193	382 - 443	7.6963	7.6376	7.6385	0.4	7.6287	0.7	7.5813	0.8	83.5
Switzerland	(SFr)	1.4676	+0.0018	671 - 680	1.4700	1.4626	1.4628	3.9	1.4534	3.9	1.4079	4.1	102.4
UK	(£)	1.6268	+0.0078	263 - 272	1.6290	1.6161	1.6262	0.4	1.6244	0.6	1.6165	0.6	97.7
Ecu	-	1.1488	-0.0004	485 - 490	1.1519	1.1460	1.15	-1.2	1.1525	-1.3	1.1678	-1.6	-
SDR†	-	0.725053	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	999 - 999	0.9999	0.9999	-	-	-	-	-	-	-
Brazil	(R$)	1.0611	-	610 - 612	1.0613	1.0600	-	-	-	-	-	-	-
Canada	(C$)	1.3743	-0.0037	740 - 745	1.3798	1.3720	1.3715	2.5	1.3662	2.4	1.3448	2.1	84.9
Mexico	(New Peso)	7.9150	+0.0205	100 - 200	7.9200	7.9080	8.033	-17.9	8.2995	-19.4	9.16	-15.7	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	105.2
Pacific/Middle East/Africa													
Australia	(A$)	1.2767	-0.0013	763 - 771	1.2772	1.2759	1.2774	-0.7	1.2782	-0.5	1.2835	-0.5	100.0
Hong Kong	(HK$)	7.7500	+0.0013	485 - 515	7.7520	7.7485	7.7499	0.0	7.7504	0.0	7.7615	-0.1	-
India	(Rs)	35.8450	-0.03	200 - 700	35.9300	35.8200	36.06	-7.2	36.52	-7.5	-	-	-
Israel	(Shk)	3.3679	+0.0019	648 - 709	3.3709	3.3607	-	-	-	-	-	-	-
Japan	(Y)	124.100	+0.205	050 - 150	124.470	123.550	123.565	5.2	122.54	5.0	117.74	5.1	123.1
Malaysia	(M$)	2.4817	+0.0037	812 - 822	2.4830	2.4760	2.4846	-1.4	2.4899	-1.3	2.5112	-1.2	-
New Zealand	(NZ$)	1.4423	+0.0048	418 - 428	1.4430	1.4417	1.4446	-1.9	1.4489	-1.8	1.4698	-1.9	-
Philippines	(Peso)	26.3670	+0.012	400 - 940	26.3940	26.3400	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	-	504 - 507	3.7507	3.7503	3.7508	-0.1	3.7513	-0.1	3.7532	-0.1	-
Singapore	(S$)	1.4520	+0.01	515 - 525	1.4528	1.4405	1.4498	1.8	1.4452	1.9	1.424	1.9	-
South Africa	(R)	4.4240	+0.009	225 - 255	4.4285	4.4140	4.4647	-11.0	4.5397	-10.5	4.6545	-9.7	-
South Korea	(Won)	890.000	+1	000 - 000	892.800	887.600	-	-	-	-	-	-	-
Taiwan	(T$)	27.5750	+0.005	500 - 000	27.6010	27.5500	27.5751	0.0	27.5753	0.0	-	-	-
Thailand	(Bt)	26.0250	+0.04	200 - 300	26.0920	26.0000	26.115	-4.1	26.2625	-4.0	26.92	-3.4	-

† SDR rate per $ for Mar 25. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Mar 25: Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

March 26	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3¼	3⅜	3⅜	3[illegible]	3½	6.00	2.50	-
France	3[illegible]	3[illegible]	3[illegible]	3⅜	3[illegible]	3.10	-	4.75
Germany	3⅛	3⅛	3⅛	3[illegible]	3⅜	4.50	2.50	3.00
Ireland	5[illegible]	5[illegible]	5¼	5[illegible]	5[illegible]	-	-	6.25
Italy	7⅜	7[illegible]	7[illegible]	7[illegible]	7[illegible]	8.25	6.75	7.34
Netherlands	3⅛	3	3[illegible]	3⅛	3⅛	-	3.00	3.30
Switzerland	1⅝	1[illegible]	1[illegible]	1[illegible]	1[illegible]	-	1.00	-
US	5⅜	5[illegible]	5⅝	5[illegible]	6[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	½	½	⅝	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5[illegible]	5¾	5[illegible]	6¼	-	-	-
US Dollar CDs	-	5.45	5.50	5.67	5.99	-	-	-
ECU Linked Ds	-	4[illegible]	4[illegible]	4[illegible]	4[illegible]	-	-	-
SDR Linked Ds	-	3[illegible]	3⅜	3[illegible]	3[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Mar 26	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3[illegible] - 3¼	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]
Danish Krone	3[illegible] - 3¼	3[illegible] - 3½	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]	4[illegible] - 3[illegible]
German Mark	3½ - 3¼	3⅛ - 3	3¼ - 3[illegible]	3[illegible] - 3	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]
Dutch Guilder	3⅛ - 3	3[illegible] - 3[illegible]	3⅛ - 2⅞	3[illegible] - 3⅛	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]
French Franc	3[illegible] - 3⅛	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]	3⅜ - 3¼	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]
Portuguese Esc.	6[illegible] - 6[illegible]	6[illegible] - 6[illegible]	6[illegible] - 6[illegible]	6¾ - 6[illegible]	6⅛ - 6[illegible]	6[illegible] - 6[illegible]
Spanish Peseta	5[illegible] - 5[illegible]	5[illegible] - 5[illegible]	5[illegible] - 5¾	5⅞ - 5[illegible]	5[illegible] - 5[illegible]	5⅞ - 5[illegible]
Sterling	6[illegible] - 5[illegible]	6⅛ - 6	6[illegible] - 6[illegible]	6[illegible] - 6⅛	6[illegible] - 6[illegible]	7[illegible] - 7[illegible]
Swiss Franc	1¾ - 7¼	1⅞ - 1¾	1[illegible] - 1[illegible]	1[illegible] - 1[illegible]	1⅞ - 1¾	1[illegible] - 1[illegible]
Canadian Dollar	3⅛ - 2⅞	3⅛ - 3	3[illegible] - 3[illegible]	3⅜ - 3[illegible]	3[illegible] - 3[illegible]	4[illegible] - 3[illegible]
US Dollar	6[illegible] - 6	6[illegible] - 6	6⅝ - 6[illegible]	6[illegible] - 6½	6⅝ - 6½	6[illegible] - 6⅞
Italian Lira	7[illegible] - 7	7⅜ - 7¼	7[illegible] - 7[illegible]	7[illegible] - 7[illegible]	7⅜ - 7¼	7[illegible] - 7[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	½ - [illegible]	[illegible]
Asian $Sing	3⅝ - 3½	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.53	96.58	+0.04	96.59	96.51	33,248	71,810
Sep	96.43	96.48	+0.04	96.49	96.41	16,832	49,654
Dec	96.32	96.35	+0.03	96.37	96.28	10,268	29,911

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.68	96.70	+0.01	96.73	96.67	23071	225048
Sep	96.59	96.62	+0.02	96.64	96.57	30507	194060
Dec	96.42	96.44	+0.01	96.45	96.38	23885	186226
Mar	96.22	96.24	-	96.27	96.19	18364	142384

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Apr	96.74	96.75	+0.01	96.76	96.74	1485	5845
May	96.75	96.74	+0.01	96.75	96.75	20	4083
Jun		96.74	+0.01			0	625
Jul		96.73	+0.01			0	0

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.60	92.75	+0.05	92.79	92.60	42560	111629
Sep	92.91	93.08	+0.08	93.09	92.89	21286	59315
Dec	93.01	93.19	+0.10	93.19	92.99	7527	33697
Mar	93.06	93.20	+0.10	93.20	93.05	2182	23216

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	98.15	98.17	+0.01	98.18	98.14	4596	43553
Sep	98.12	98.12	-0.01	98.13	98.10	3740	20228
Dec	98.00	98.00	-0.01	98.01	97.97	2938	15316
Mar	97.87	97.87	-	97.87	97.86	227	6860

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	99.34	99.34	+0.04	99.34	99.34	725	n/a
Sep	99.21	99.20	+0.05	99.21	99.20	3002	n/a
Dec		99.04	+0.07			0	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.69	95.74	+0.02	95.76	95.69	2490	10798
Sep	95.62	95.67	+0.02	95.67	95.62	137	5307
Dec	95.54	95.57	+0.02	95.59	95.53	445	5273
Mar	95.38	95.45	+0.03	95.46	95.38	338	3701

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9275	0.28	0.64	0.79	0.28	0.31	0.35
9300	0.18	0.47	0.63	0.43	0.39	0.44
9325	0.09	0.34	0.49	0.59	0.51	0.55

Est. vol. total, Calls 12753 Puts 6770. Previous day's open int., Calls 135632 Puts 54249

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Mar 26		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.48	16.34	4.845	1.822	4828	5.452	19.15	487.7	410.9	21.88	4.201	1.760	3.935	2.863	355.3	2.492
Denmark	(DKr)	54.11	10	8.840	2.622	0.986	2612	2.950	10.36	263.9	222.4	11.84	2.273	0.952	2.130	1.550	192.3	1.349
France	(FFr)	61.22	11.31	10	2.966	1.115	2955	3.338	11.72	298.5	251.6	13.39	2.572	1.077	2.409	1.753	217.5	1.526
Germany	(DM)	20.64	3.814	3.372	1	0.376	996.4	1.125	3.952	100.7	84.82	4.515	0.867	0.363	0.812	0.591	73.34	0.514
Ireland	(I£)	54.90	10.14	8.968	2.660	1	2650	2.993	10.51	267.7	225.6	12.01	2.306	0.966	2.160	1.572	195.1	1.368
Italy	(L)	2.071	0.383	0.338	0.100	0.038	100.	0.113	0.397	10.10	8.513	0.453	0.087	0.036	0.082	0.059	7.361	0.052
Netherlands	(Fl)	18.34	3.389	2.996	0.889	0.334	885.4	1	3.512	89.44	75.37	4.012	0.770	0.323	0.722	0.525	65.17	0.457
Norway	(NKr)	52.22	9.651	8.531	2.530	0.951	2521	2.847	10	254.7	214.8	11.42	2.194	0.919	2.055	1.495	185.6	1.301
Portugal	(Es)	20.51	3.789	3.350	0.994	0.374	989.9	1.118	3.926	100.	84.27	4.486	0.861	0.361	0.807	0.587	72.86	0.511
Spain	(Pta)	24.33	4.497	3.975	1.179	0.443	1175	1.327	4.660	118.7	100.	5.323	1.022	0.428	0.958	0.697	86.47	0.606
Sweden	(SKr)	45.71	8.447	7.467	2.215	0.833	2207	2.492	8.753	222.9	187.9	10	1.920	0.805	1.799	1.309	162.4	1.139
Switzerland	(SFr)	23.80	4.399	3.889	1.153	0.434	1149	1.298	4.558	116.1	97.82	5.207	1	0.419	0.937	0.682	84.58	0.593
UK	(£)	56.82	10.50	9.282	2.753	1.035	2743	3.098	10.88	277.1	233.5	12.43	2.387	1	2.236	1.627	201.9	1.416
Canada	(C$)	25.41	4.696	4.151	1.231	0.463	1227	1.386	4.866	123.9	104.4	5.559	1.068	0.447	1	0.728	90.30	0.633
US	($)	34.92	6.454	5.705	1.692	0.636	1686	1.904	6.687	170.3	143.5	7.640	1.467	0.615	1.374	1	124.1	0.870
Japan	(Y)	28.14	5.201	4.597	1.364	0.513	1359	1.534	5.389	137.2	115.7	6.157	1.182	0.495	1.107	0.806	100.	0.701
Ecu		40.13	7.415	6.555	1.944	0.731	1937	2.188	7.684	195.7	164.9	8.778	1.686	0.706	1.579	1.149	142.6	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.5956	0.5933	-0.0018	0.5965	0.5933	15,852	60,155
Sep	0.5981	0.5978	-0.0012	0.5981	0.5977	21	2,495
Dec	-	0.6023	-0.0006	-	-	2	130

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6878	0.6868	-0.0018	0.6895	0.6868	16,186	37,992
Sep	0.6958	0.6939	-0.0015	0.6958	0.6937	262	2,158
Dec	-	0.7010	-0.0017	-	0.7010	221	417

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8180	0.8155	-0.0029	0.8193	0.8128	20,957	66,816
Sep	0.8266	0.8255	-0.0039	0.8266	0.8253	143	819
Dec	-	0.8388	-0.0020	-	0.8388	27	225

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.6160	1.6248	+0.0070	1.6248	1.6142	7,940	32,614
Sep	1.6180	1.6212	+0.0060	1.6220	1.6180	11	755
Dec	-	1.6190	+0.0064	1.6190	-	78	91

UK INTEREST RATES

LONDON MONEY RATES

Mar 26	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6[illegible] - 5¾	6[illegible] - 5[illegible]	6⅛ - 6	6[illegible] - 6¼	6[illegible] - 6½	7 - 6⅞
Sterling CDs	-	-	6[illegible] - 6[illegible]	6[illegible] - 6[illegible]	6½ - 6[illegible]	6[illegible] - 6[illegible]
Treasury Bills	-	-	6[illegible] - 5[illegible]	6¼ - 6⅛	-	-
Bank Bills	-	-	6[illegible] - 5[illegible]	6[illegible] - 6[illegible]	6½ - 6⅜	-
Local authority deps.	5[illegible] - 5[illegible]	5[illegible] - 5[illegible]	6[illegible] - 5[illegible]	6[illegible] - 6[illegible]	6[illegible] - 6[illegible]	6[illegible] - 6[illegible]
Discount Market deps	6 - 5⅞	5[illegible] - 5[illegible]	-	-	-	-

UK clearing bank base lending rate 6 per cent from October 30, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on Mar 21, 5.9914pc. ECGD fixed rate Stlg. Export Finance. Make up day Feb 28, 1997. Agreed rate for period Mar 26, 1997 to Apr 21, 1997, Scheme III 7.53pc. Reference rate for period Feb 1, 1997 to Feb 28, 1997, Schemes IV & V 6.288pc. Finance House Base Rate 6½pc from Mar 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.31	93.32	-0.02	93.33	93.30	10446	117818
Sep	93.04	93.04	-0.03	93.06	93.02	9479	84835
Dec	92.80	92.80	-0.04	92.83	92.77	12399	82678
Mar	92.60	92.60	-0.04	92.63	92.58	6351	44834
Jun	92.45	92.47	-0.03	92.48	92.44	2815	35305

Also traded on APT. All Open interest figs. are for previous day

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9325	0.17	0.12	0.12	0.10	0.33	0.57
9350	0.05	0.05	0.06	0.23	0.51	0.76
9375	0.01	0.02	0.03	0.44	0.73	0.98

Est. vol. total, Calls 9639 Puts 9160. Previous day's open int., Calls 150167 Puts 154564

EMS EUROPEAN CURRENCY UNIT RATES

Mar 26	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Finland	5.85424	5.79173	-0.03882	-1.07	3.41	7
Portugal	197.398	196.404	+0.039	-0.50	2.83	3
Ireland	0.798709	0.734679	+0.00023	-8.02	11.23	54
Spain	163.826	165.766	+0.134	1.18	1.11	-8
Netherlands	2.16979	2.19679	+0.00375	1.24	1.05	-9
Denmark	7.34555	7.44304	+0.00609	1.33	0.97	-9
Germany	1.92573	1.95273	+0.00215	1.40	0.90	-14
Belgium	39.7191	40.2905	+0.0446	1.44	0.86	-11
Austria	13.5485	13.7448	+0.0156	1.45	0.85	-11
France	6.45863	6.58392	+0.00536	1.94	0.36	-16
Italy	1906.48	1950.52	-3.93	2.31	0.00	-17
NON ERM MEMBERS						
Greece	295.269	307.946	+0.848	4.29	-1.90	-
UK	0.793103	0.711224	-0.004051	-10.32	14.09	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu: a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Apr	CALLS May	CALLS Jun	PUTS Apr	PUTS May	PUTS Jun
1.590	2.92	3.56	-	0.29	0.96	1.54
1.600	2.19	2.90	3.44	0.41	1.30	1.91
1.610	1.57	2.36	2.88	0.73	1.70	2.35

Previous day's vol., Calls 135 Puts 1,230. Prev. day's open int., Calls 29,247 Puts 41,368

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Apr	CALLS May	CALLS Jun	PUTS Apr	PUTS May	PUTS Jun
0.590	0.58	1.03	1.29	0.41	0.72	0.89
0.595	0.36	0.77	1.03	0.66	0.98	1.14
0.600	0.20	0.57	0.81	1.01	1.28	1.43

Previous day's vol., Calls 825 Puts 1,294. Prev. day's open int., Calls 29,347 Puts 41,368

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.03	94.02	-0.01	94.05	94.01	158,474	506,634
Sep	93.78	93.75	-0.03	93.78	93.73	123,238	379,868
Dec	93.55	93.51	-0.04	93.56	93.49	80,450	258,423

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.75	94.74	-0.02	94.75	94.74	245	1,435
Jun	94.58	94.55	-0.02	94.58	94.55	593	6,820
Sep	-	94.29	-0.02	-	94.29	57	2,756

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Apr	CALLS May	CALLS Jun	CALLS Sep	PUTS Apr	PUTS May	PUTS Jun	PUTS Sep
9650	0.20	0.20	0.22	0.19	0	0	0.02	0.07
9675	0.01	0.02	0.05	0.06	0.06	0.07	0.10	0.19
9700	0	0	0.01	0.01	0.30	0.30	0.31	0.39

Est. vol. total, Calls 7526 Puts 3930. Previous day's open int., Calls 434024 Puts 225776

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9825	0.07	0.12	0.14	0.15	0.25	0.39
9850	0.01	0.05	0.06	0.34	0.43	0.56

Est. vol. total, Calls 25 Puts 0. Previous day's open int., Calls 1050 Puts 1385

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Duncan Lawrie	6.00	Royal Bk of Scotland	6.00
Allied Irish Bank (GB)	6.00	Exeter Bank Limited	7.00	●Singer & Friedlander	6.00
●Henry Ansbacher	6.00	Financial & Gen Bank	7.00	●Smith & Williamson Secs	6.00
Bank of Baroda	6.00	●Robert Fleming & Co	6.00	Scottish Widows Bank	6.00
Banco Bilbao Vizcaya	6.00	●Guinness Mahon	6.00	TSB	6.00
Bank of Cyprus	6.00	Habib Bank AG Zurich	6.00	United Bank of Kuwait	6.00
Bank of Ireland	6.00	●Hambros Bank	6.00	Unity Trust Bank Plc	6.00
Bank of India	6.00	Heritable & Gen Inv Bk	6.00	Western Trust	6.00
Bank of Scotland	6.00	●Hill Samuel	6.0	Whiteaway Laidlaw	6.00
Barclays Bank	6.00	C. Hoare & Co	6.00	Yorkshire Bank	6.00
Brit Bk of Mid East	6.00	Hongkong & Shanghai	6.00		
●Brown Shipley & Co Ltd	6.00	Investec Bank (UK) Ltd	6.00	● Members of London Investment Banking Association	
Citibank NA	6.00	Julian Hodge Bank	6.00	* In administration	
Clydesdale Bank	6.00	●Leopold Joseph & Sons	6.00		
The Co-operative Bank	6.00	Lloyds Bank	6.00		
Coutts & Co	6.00	Midland Bank	6.00		
Cyprus Popular Bank	6.00	NatWestminster	6.00		
		●Rea Brothers	6.00		

Notice of Meeting of Noteholders of

BANCO BNL DO BRASIL S.A.

U.S. $20,000,000

Principal Amount 10.75% Notes due November 27, 2001

issued under the U.S. $80,000,000 Euro-Medium Term Note Programme (the "Notes")

[illegible]

... later than 48 hours before the time appointed for holding the meeting, giving voting instructions in respect of the meeting.

FISCAL AGENT
The Chase Manhattan Bank
Woolgate House,
Coleman Street
London EC2P 2HD
England

PRINCIPAL PAYING BANK
Deutsche Morgan Grenfell Trust Bank Limited
(formerly known as Chase Manhattan Trust & Banking Co. (Japan) Ltd)
c/o Akasaka Park Building, 13F
5-2-20 Akasaka, Minato-ku
Tokyo 107, Japan

SÃO PAULO PAYING AGENT
Internationale Nederlanden Bank N.V.,
São Paulo Branch
Avenida Paulista, 967-1.° andar
01311-100-São Paulo-SP
Brazil

SUB AGENT
Chase Manhattan Bank Luxembourg S.A.
5 Rue Plaetis
L-2338 Luxembourg
Luxembourg

Dated: March 27, 1997

U.S. $100,000,000

Floating Rate Subordinated Loan Participation Certificates Due 2000

Issue by

Merrill Lynch Capital Markets Bank Limited

(formerly Merrill Lynch Bank AG and incorporated in the Federal Republic of Germany with limited liability)

for the purpose of funding and maintaining a subordinated loan to

The Asahi Bank, Ltd.

(Incorporated in Japan with limited liability and resulting from the merger of The Saitama Bank, Ltd. and The Kyowa Bank, Ltd. with effect from April 1, 1991)

Notice is hereby given that for the Interest Period from March 27, 1997 to June 27, 1997 the Certificates will carry an Interest Rate of 6.175% per annum. The amount of interest payable on June 27, 1997 will be U.S. $157.81 per U.S. $10,000 principal amount of Certificates.

By: The Chase Manhattan Bank
London, Agent Bank

CHASE

March 27, 1997

COMMODITIES AND AGRICULTURE

Anglo gives go-ahead to two projects

By Mark Ashurst in Johannesburg

Anglo American, South Africa's biggest corporation, is to go ahead with two substantial strategic investments at operations in its domestic market.

The new projects, at Namakwa Sands mineral processing plant and Elandsrand gold mine, follow months of uncertainty sparked by technical problems at Namakwa Sands and difficult negotiations between Anglo and the owners of the Deelkraal gold mine adjacent to Elandsrand.

Anglo said yesterday it would invest R1.2m ($272m) to build a second ilmenite smelting furnace and increase production at Namakwa Sands' Saldanha Bay plant. The expansion will be funded entirely by Anglo, which holds an 80 per cent equity stake in Namakwa Sands, and its associate De Beers, *which holds the balance.*

The group had not sought assistance from the Industrial Development Corporation, a parastatal development agency which in 1992 loaned R370m to fund the initial R1bn development of Namakwa Sands. Construction will begin immediately and the expansion is expected to be completed by April 1999.

Anglo said output of titanium dioxide slag would increase from 97,000 tonnes a year to about 235,000 tonnes when full production is reached in 2001.

Annual production of pig iron will rise from 56,000 tonnes to 130,000 tonnes, and secondary production of zircon and rutile would increase to 140,000 tonnes and 42,000 tonnes, respectively.

The additional output is destined for export and could boost export earnings to R750m a year, subject to fluctuations in commodity prices and the value for the rand.

The group also announced that Anglogold, the gold mining division, has agreed to merge its low-cost Elandsrand gold mine with the adjacent Deelkraal mine controlled by Gold Fields of South Africa. The move is further evidence of a realignment in the gold industry, as rival mining houses have begun to co-operate in a common battle against rising costs at deep-level mines.

The deal follows protracted negotiations between Anglo, which owns 26 per cent of Gold Fields, GFSA Holdings, which is controlled by Gold Fields' management, and Rembrandt, the mining and industrial group controlled by South Africa's Rupert family.

The merger will enhance the prospects for the creation of a new Anglo mine, Western Ultra Deep Levels, a "blue sky" project to mine the same ore body at depths of up to 5km.

Subject to approval by minority shareholders, Deelkraal will become a subsidiary of Elandsrand, which will acquire the entire share capital for about R420m. Deelkraal will be delisted and shareholders will receive 20 Elandsrand shares for every 100 Deelkraal shares held. This is a premium of 25 per cent on the basis of Deelkraal's market performance since negotiations began seven months ago.

COMMODITIES NEWS DIGEST

Star Mining in Russian gold deal

Star Mining, a small Australian company, has preserved its interest in Sukhoi Log, Russia's biggest gold resource, with about 35m troy ounces, by agreeing to pay US$50m to acquire 49 per cent of Sukhoi Log Mining, which has been set up to develop a large open-cast mine in Siberia.

Rights to the Sukhoi Log project were previously held by Lenzoloto, a Siberian-based gold mining group, in which Star had a 31.9 per cent stake. However, there have been moves recently to restructure the arrangement and reorganise Lenzoloto into a number of separate alluvial mining companies. One of these, Sukhoi Log Mining would develop the gold project.

Star said formal agreement on the reorganisation had now been reached with Lenzoloto and the Russian company had given guarantees that the restructuring and the sale of the stake would be completed by April 21.

Last November, Star signed a deal with JCI for the South African mining group to acquire a 30 per cent stake in Sukhoi Log for about $250m. Star said yesterday negotiations with JCI were at an advanced stage and, subject to formal agreement between the two companies, funding for the Sukhoi Log acquisition had been agreed with Standard Bank of South Africa. Standard will provide $50m on April 21 and subsequently at least $750m for the development of Sukhoi Log. *Nikki Tait, Sydney*

Eramet concession in doubt

France has set in motion a procedure that could lead to Eramet, the state-controlled mining group, losing a large nickel mine in New Caledonia to the local Kanak pro-independence movement. Eramet confirmed it had received this week a letter from the High Commissioner of New Caledonia, a French territory in the Pacific, giving the company a month to explain why it had not exploited its Koniambo mining concession for at least 10 years.

French mining law stipulates that failure over 10 years to exploit a mine can give the government grounds to revoke the concession. The French authorities have seized on this to speed the transfer of Koniambo from Eramet's SLN subsidiary to the Kanak-controlled SMSP company, which wants to use its ore for a refining plant to be built by Falconbridge of Canada. The Kanak political movement is insisting that the mining issue be settled before it will agree to talk to Paris and white political parties in New Caledonia about postponing next year's planned referendum on independence.

David Buchan, Paris

Australia acts on wool

Australia's wool farmers, who have struggled with low prices and erratic Chinese demand in recent years, received a welcome break yesterday when the federal government announced it would distribute the reserves of Wool International as soon as possible. Wool International was the body charged with disposing of Australia's large wool stockpile, which built up under an earlier guaranteed pricing scheme. The move is likely to mean that about A$75m (US$59m) is returned this year to wool farmers who paid a 4.5 per cent wool tax between mid-1993 and mid-1996, with further sums being paid out over the following three years. *Nikki Tait*

Copper claim repeated

MARKETS REPORT

By Kenneth Gooding, Robert Corzine and Gary Mead

The World Bureau of Metal Statistics, which in November caused uproar in the copper market by suggesting there were large stocks of copper in Rotterdam not reported in official statistics, yesterday repeated the claim – but this time with the benefit of revised figures from the Dutch Central Bureau of Statistics.

Mr Lloyd Davies, general manager of the WBMS, on which many analysts rely for data, said a review of the revised statistics for the three years to 1995 inclusive showed more than 90,000 tonnes of unreported copper in the Netherlands.

He suggested it was reasonable to assume there was also a build up of unreported stock in 1991 and 1992. "Our conclusion, therefore, is that at the end of 1995 there was about 100,000 tonnes of refined copper previously unreported in bonded warehouses in the Netherlands."

The statement came at the end of a thin day's trading on the London Metal Exchange. Copper for delivery in three months was down $24 a tonne at $2,353 in late trading.

Coffee prices rebounded after buying which analysts attributed to covering ahead of the long weekend and a price jump of 10 per cent in New York on Tuesday.

May robusta prices opened in London $95 higher at $1,665 a tonne, rebounding from a low of $1,515 earlier this week. May futures rapidly reached a high of $1,675 before falling back $22 to $1,640 by midday. The May contract closed $60 higher on the day at $1,627.

Yesterday's London surge came on the heels of gains in New York on Tuesday, where May futures rose 10 per cent on the day to $1.79 a pound; in New York late-morning trading yesterday robusta rose to $1.89 a pound, with traders saying the key barrier of $2 might soon be breached.

Crude oil futures firmed in late trading in spite of problems placing surplus North Sea supplies. Brent Blend for May delivery was $19.73 in late trading on London's International Petroleum Exchange, 19 cents up on Tuesday's close.

RTZ-CRA sells mine to BHP

By Nikki Tait in Sydney

Broken Hill Proprietary, the Australian resources group, is to buy the West Cliff coal mine in New South Wales from RTZ-CRA, the London-based mining company, for an undisclosed sum. The mine is adjacent to BHP's Appin coal mine, which is used mainly to feed its Port Kembla steelworks.

West Cliff was the last remaining asset in RTZ-CRA's troubled Kembla Coal & Coke subsidiary, which will now cease to operate. BHP said yesterday annual production at the mine stands at about 1.5m tonnes a year.

Meanwhile, Hamersley Iron, RTZ-CRA's big iron ore subsidiary in Western Australia, announced yesterday that it had secured a significant "land use" agreement with local Aboriginal groups in the central Pilbara region, which should allow its planned A$500m (US$391m) Yandicoogina mine development to go ahead later this year.

RTZ-CRA's Hamersley Iron: has reached deal with Aboriginal groups

The agreement covers 26,000 sq km and involves 13 registered native title claimants; traditional owners from the Bunjima, Niapaili and Innawonga language groups; and the Gumala Aboriginal Corporation. These have agreed to support the project in return for a variety of commitments by Hamersley, ranging from land access to assistance with pastoral operations.

Hamersley will also make payments to special purpose trusts. It said yesterday that the total benefits could be in excess of A$60m over a 20-year period.

The mine still needs board approval, and some minor regulatory approvals. The company also needs to build an additional 150km of rail track, so that ore can be shipped via Marandoo mine to the port at Dampier. But if all goes smoothly, Yandicoogina could begin operating by 1999. Annual production has been estimated to reach about 15m tonnes, or about one-fifth of Hamersley's projected annual output at that time.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1606.5-7.5	1639-40
Previous	1616-7	1649-50
High/low		1659/1631
AM Official	1607-8	1640.5-1.0
Kerb close		1631-2
Open int.	267,055	
Total daily turnover	56,428	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1510-20	1540-45
Previous	1520-23	1545-50
High/low		1550/1538
AM Official	1512-5	1540-1
Kerb close		1535-8
Open int.	5,848	
Total daily turnover	713	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	687.5-8.5	681-2
Previous	685-6	680-1
High/low		686/680
AM Official	690-2	682-2.5
Kerb close		680-1
Open int.	38,286	
Total daily turnover	7,883	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7530-40	7640-50
Previous	7640-50	7755-65
High/low		7770/7640
AM Official	7560-65	7675-80
Kerb close		7630-40
Open int.	50,622	
Total daily turnover	21,161	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5800-10	5825-35
Previous	5810-20	5845-50
High/low		5855/5820
AM Official	5805-15	5835-40
Kerb close		5825-30
Open int.	16,294	
Total daily turnover	4,570	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1273-4	1293-3.5
Previous	1273-4	1295-6
High/low		1299/1287
AM Official	1274.5-5.0	1294.5-5.0
Kerb close		1288.5-9.0
Open int.	85,066	
Total daily turnover	14,900	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2409-12	2356-7
Previous	2430-2	2370-1
High/low	2432/2431	2386/2352
AM Official	2431-2	2372-3
Kerb close		2353-4
Open int.	137,435	
Total daily turnover	46,419	

■ LME AM Official £/$ rate: 1.6210
LME Closing £/$ rate: 1.6207

Spot: 1.6280 3 mths: 1.6258 6 mths: 1.6233 9 mths: 1.6206

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	116.15	-3.35	118.20	115.20	1,142	1,848
Apr	111.65	-2.15	113.50	110.60	443	4,888
May	110.85	-2.25	113.20	109.80	8,223	24,896
Jun	108.85	-1.85	110.40	109.70	129	1,194
Jul	107.25	-1.90	109.00	106.40	619	8,969
Aug	105.85	-1.55	-	-	20	684
Total					10,583	57,584

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	348.10-348.50		
Opening	347.60-347.70		
Morning fix	346.80	214.272	508.513
Afternoon fix	348.05	212.692	508.278
Day's High	349.40-349.70		
Day's Low	345.85-346.15		
Previous close	348.85-349.35		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....4.38 6 months 4.33
2 months ....4.35 12 months 4.33
3 months 4.34

Silver Fix	p/troy oz.	US cts equiv.
Spot	314.25	509.25
3 months	318.70	515.75
6 months	323.45	522.60
1 year	333.00	536.35

Gold Coins	$ price	£ equiv.
Krugerrand	347-349	213-215
Maple Leaf	-	-
New Sovereign	81-84	49-51

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	351.0	+3.3	347.5	346.0	-	-
Apr	351.5	+3.3	352.0	346.4	41,038	27,140
May	352.5	+3.2	-	354.0	620	5,180
Jun	353.5	+3.0	354.1	348.3	29,322	53,619
Aug	355.9	+3.1	356.4	351.3	2,449	13,200
Oct	358.5	+3.2	359.2	354.8	272	5,635
Total						

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	377.2	+1.7	378.0	374.0	4,157	9,592
Jul	380.1	+2.0	380.7	377.0	2,648	7,276
Oct	382.5	+2.0	382.0	380.5	394	1,725
Jan	384.7	+2.0	384.5	384.5	10	1,165
Total					7,214	19,783

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	149.40	+2.60	150.00	144.50	404	8,491
Sep	150.65	+2.60	146.00	146.00	56	835
Dec	151.65	+2.60	-	-	1	190
Total					1,494	9,517

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	514.2	+4.8	517.0	510.0	84	97
May	516.5	+4.5	519.0	510.0	17,024	53,067
Jul	521.6	+4.5	523.5	515.0	1,190	18,040
Sep	526.6	+4.5	527.5	522.5	51	3,348
Dec	534.3	+4.7	535.5	527.0	23	5,201
Jan	537.2	+4.7	553.0	553.0	2	13
Total						

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
May	21.24	+0.25	21.42	20.91	39,132	91,338
Jun	21.18	+0.21	21.33	20.90	14,677	60,212
Jul	21.06	+0.17	21.18	20.83	5,327	28,787
Aug	20.95	+0.16	21.05	20.78	3,886	21,549
Sep	20.92	+0.20	20.93	20.70	1,842	13,752
Oct	20.84	+0.18	20.84	20.74	1,390	14,892
Total					76,070	383,778

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
May	19.76	+0.22	19.90	19.48	21,552	63,903
Jun	19.72	+0.10	19.81	19.53	5,692	35,062
Jul	19.80	+0.17	19.90	19.56	736	14,778
Aug	19.76	+0.14	19.82	19.58	398	7,031
Sep	19.72	+0.12	19.74	19.59	251	6,614
Oct	19.67	+0.10	19.69	19.56	779	4,298
Total					na	na

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	56.75	-0.08	57.15	56.00	17,469	16,304
May	56.15	+0.17	56.50	55.40	13,377	31,485
Jun	56.15	+0.17	56.45	55.50	3,000	15,191
Jul	56.45	+0.27	56.60	55.80	2,359	14,386
Aug	56.75	+0.12	57.05	56.60	1,448	8,501
Sep	57.50	+0.22	57.50	57.00	424	5,309
Total					39,228	123,805

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	172.50	+0.25	173.50	171.25	6,345	24,719
May	174.00	+0.50	174.25	172.25	2,293	10,745
Jun	175.25	+1.00	175.25	173.25	712	10,876
Jul	176.25	+1.00	176.25	174.50	179	4,326
Aug	177.50	+0.75	-	-	-	2,133
Sep	179.00	+0.50	179.50	178.50	47	1,525
Total					9,228	68,257

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
May	1.875	-0.009	1.920	1.860	9,240	31,479
Jun	1.925	-0.005	1.960	1.915	2,930	15,147
Jul	1.945	-0.005	1.970	1.940	1,712	12,257
Aug	1.960	-	1.985	1.950	808	9,679
Sep	1.975	-	1.985	1.965	1,060	10,130
Oct	2.015	-	2.030	2.005	1,042	10,877
Total					20,888	198,131

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	67.15	+0.63	67.40	66.00	9,496	16,026
May	66.60	+0.51	66.90	65.80	9,556	40,655
Jun	65.60	+0.41	65.90	64.85	4,113	18,194
Jul	64.40	+0.41	64.65	63.90	1,569	9,675
Aug	62.85	+0.31	63.20	62.50	419	5,600
Sep	61.40	+0.41	61.50	61.20	114	2,757
Total					25,894	99,180

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	100.40	-1.30	101.25	100.50	203	3,020
Jul	102.60	-1.40	103.50	102.50	263	1,328
Sep	95.25	-0.25	-	-	-	45
Nov	97.25	-0.25	97.25	96.75	185	2,141
Jan	99.25	-0.25	99.25	98.75	72	530
Mar	101.25	-0.25	101.20	101.20	1	203
Total					724	7,265

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	395.50	+6	397.50	389.25	2,766	27,739
Jul	390.50	+5	392.50	385.50	7,683	42,121
Sep	393.00	+5.5	393.00	388.00	1,200	5,941
Dec	401.25	+6.25	402.50	396.50	681	6,074
Mar	401.00	+6	401.00	400.00	14	92
Jul	372.00	+10	372.00	372.00	1	181
Total					12,337	82,155

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	305.25	+3	305.75	302.00	25,822	147,287
Jul	307.00	+2.75	307.25	303.50	11,420	109,239
Sep	297.00	+0.75	297.25	295.25	1,145	17,549
Dec	294.75	-	295.00	293.00	12,051	85,731
Mar	298.75	-0.25	299.00	297.50	1,084	8,752
May	301.00	-	301.00	299.50	28	357
Total					61,451	374,803

■ BARLEY LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	93.00	-	-	-	-	133
Sep	92.75	-	-	-	-	31
Nov	94.75	-	94.75	94.25	43	529
Jan	96.75	-	-	-	-	38
Mar	98.75	-	-	-	-	-
May	-	-	-	-	-	6
Total					43	731

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	841.00	-1	843.25	838.00	27,983	75,829
Jul	844.25	+0.5	846.00	840.25	10,943	59,390
Aug	826.25	+10.75	827.00	820.00	1,525	8,558
Sep	758.50	-1	760.00	756.00	349	5,419
Nov	708.50	-	709.50	704.50	5,074	34,119
Jan	714.75	+0.25	715.00	711.00	180	1,923
Total					46,073	186,208

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
May	24.25	+0.1	24.28	24.08	10,365	41,038
Jul	24.66	+0.07	24.67	24.48	4,011	29,367
Aug	24.83	+0.06	24.85	24.68	692	6,571
Sep	25.00	+0.06	25.00	24.82	267	3,803
Oct	25.09	+0.04	25.03	24.88	31	3,596
Dec	25.30	-	25.33	25.10	992	10,998
Total					16,368	95,906

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
May	276.7	-0.5	278.2	276.2	10,545	46,279
Jul	273.4	-	274.4	272.8	3,278	27,536
Aug	263.7	+0.5	264.0	262.7	1,189	8,723
Sep	246.5	+1.3	247.5	244.5	716	5,806
Oct	227.0	+2	227.5	226.5	671	4,468
Dec	221.6	+0.3	222.5	221.3	1,444	9,372
Total					17,938	103,379

■ POTATOES LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	35.0	-8.0	41.5	35.0	91	511
May	47.0	-2.0	49.0	46.0	12	369
Jun	68.0	-	-	-	-	-
Nov	66.0	-2.0	70.0	70.0	-	12
Mar	98.0	-	-	-	-	-
Apr	113.5	+5.5	115.0	108.0	21	728
Total					124	1,620

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1520	-	-	-	-	401
Apr	1575	-5	1580	1565	110	1,120
May	1565	+15	1561	1550	43	633
Jul	1300	-5	1310	1295	36	735
Oct	1410	-5	1415	1410	11	320
Jan	1425	-	1455	1450	-	47
Total					186	3,256

	Close	Prev
BFI	1518	1524

FUTURES DATA
All futures data supplied by CMS.

Minor metals
European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). Antimony: 99.65%, $ per tonne, 2,100-2,200 (2,100-2,225). Bismuth: min. 99.99%, tonne lots 2.90-3.15. Cadmium: min. 99.95%, cents a pound, 60.00-70.00. Cobalt: MB free market, min. 99.8%, 19.70-20.60 (19.00-20.00); min. 99.3%, 19.00-19.50 (18.00-18.75). Mercury: min. 99.99%, $ per 76 lb flask, 161-171. Molybdenum: drummed molybdic oxide, 4.45-4.60 (4.30-4.50). Selenium: min 99.5%, 2.35-3.15 (2.40-3.20). Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 45-55. Vanadium: min. 98%, cif, 3.90-4.05 (3.90-4.08). Uranium: Nuexco unrestricted exchange value, 12.25.

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1024	+17	1025	1018	46	157
May	1030	+14	1035	1015	3,909	31,039
Jul	1039	+13	1043	1025	884	15,896
Sep	1048	+15	1053	1032	539	12,133
Dec	1032	+3	1038	1030	2,425	25,532
Mar	1046	+1	1051	1045	862	23,369
Total					8,729	135,048

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
May	1461	+16	1475	1457	4,358	31,126
Jul	1489	+18	1500	1485	1,298	22,449
Sep	1512	+17	1525	1510	188	11,497
Dec	1526	+7	1538	1528	139	8,763
Mar	1556	+11	1555	1555	10	10,656
May	1573	+8	-	-	150	6,906
Total					6,153	100,506

■ COCOA (ICCO) (SDR's/tonne)

Mar 25	Price	Prev. day
Daily	1132.86	1126.09

■ COFFEE LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1610	+53	1665	1585	88	577
May	1630	+63	1675	1610	2,498	20,711
Jul	1640	+61	1680	1625	1,283	12,788
Sep	1650	+66	1680	1635	847	7,092
Nov	1640	+71	1655	1630	180	2,702
Jan	1615	+68	1625	1610	385	765
Total					5,281	44,729

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	186.85	+7.55	189.00	180.00	8,971	18,824
Jul	172.00	+3.35	175.00	169.25	3,098	8,223
Sep	161.60	+2.30	165.30	160.50	1,591	5,854
Dec	148.15	+2.50	151.65	147.00	177	3,674
Mar	139.00	+0.20	141.00	137.00	85	1,090
May	131.00	-2.80	125.00	124.55	104	216
Total					13,922	37,986

■ COFFEE (ICO) (US cents/pound)

Mar 25		Prev. day
Comp. daily	131.76	124.80
15 day average	136.98	137.71

■ WHITE SUGAR LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	306.1	-0.3	306.9	305.6	1,303	15,095
Aug	305.9	-	306.3	305.5	354	5,415
Oct	302.4	+0.5	302.8	302.2	157	3,395
Dec	301.6	+0.7	302.6	302.6	-	929
Mar	303.3	+2.4	302.8	302.5	21	506
May	302.4	+4.9	303.7	302.6	-	154
Total					1,814	25,494

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	10.81	-0.05	10.88	10.78	10,492	82,173
Jul	10.60	-0.03	10.64	10.56	2,557	38,112
Oct	10.52	-0.05	10.57	10.52	2,163	26,897
Mar	10.53	-0.03	10.57	10.52	1,112	14,195
May	10.53	-0.04	10.55	10.55	299	3,087
Jul	10.52	-0.06	10.59	10.54	52	1,482
Total					16,725	144,303

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	72.65	+0.06	72.89	72.46	13,719	33,919
Jul	74.24	+0.04	74.50	74.10	4,547	16,436
Oct	75.65	-0.08	75.90	75.60	284	1,686
Dec	76.24	+0.08	76.30	76.05	2,183	21,482
Mar	77.25	+0.20	76.95	76.95	53	1,995
May	77.85	-0.35	77.85	77.50	153	525
Total					20,809	78,716

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	81.60	-1.55	82.85	81.70	1,197	14,654
Jul	83.95	-1.25	84.90	84.00	399	5,797
Sep	86.30	-1.25	86.90	86.15	90	3,784
Nov	88.75	-1.05	89.50	88.75	103	1,463
Jan	90.25	-0.75	91.00	90.75	13	658
Mar	91.75	-0.25	92.00	92.00	18	366
Total					1,786	26,759

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Mar 26	Mar 25	month ago	year ago
1986.7	1967.9	1958.9	2138.9

■ CRB Futures (Base: 1967 = 100)

Mar 25	Mar 24	month ago	year ago
245.49	243.97		

■ GSCI Spot (Base: 1970 = 100)

Mar 25	Mar 24	month ago	year ago
193.22	192.28	191.08	209.13

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Apr	68.175	+0.075	68.475	67.900	5,853	30,756
Jun	63.975	+0.45	64.175	63.325	3,916	29,084
Aug	63.775	+0.25	64.025	63.550	1,895	21,892
Oct	67.225	+0.25	67.425	67.825	772	15,082
Dec	68.425	+0.075	69.700	68.400	351	7,398
Feb	70.675	+0.05	70.800	70.500	607	3,382
Total					13,227	108,171

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Apr	72.800	-0.375	73.900	72.400	4,132	8,563
Jun	80.950	+0.1	81.500	80.550	6,000	12,770
Jul	79.525	+0.55	79.800	78.850	1,742	3,999
Aug	76.300	+0.675	76.600	75.625	1,080	2,553
Oct	70.200	+0.4	70.350	69.950	379	1,766
Dec	67.725	+0.35	68.200	67.400	482	1,318
Total					13,928	30,736

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Mar	75.950	-	78.300	75.800	17	14
May	75.950	-	76.950	75.750	2,391	3,960
Jul	75.500	-0.3	76.500	75.350	879	2,032
Aug	73.175	-0.125	75.425	73.200	134	417
Feb	68.600	+0.25	68.600	68.600	8	81
Total					3,434	6,500

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Apr	Jul	Apr	Jul
1500	106	148	0	11
1600	17	77	11	38
1700	0	32	93	91
■ COPPER (Grade A) LME	**Apr**	**Jul**	**Apr**	**Jul**
2200	207	159	0	43
2300	108	100	1	83
2400	28	58	21	140
■ COFFEE LIFFE	**May**	**Jul**	**May**	**Jul**
1650	59	142	79	152
1700	40	121	110	181
1750	27	104	147	214
■ COCOA LIFFE	**May**	**Jul**	**May**	**Jul**
975	61	90	6	26
1000	42	75	12	36
1025	28	61	23	47
■ BRENT CRUDE IPE	**May**	**Jun**	**May**	**Jun**
1950	-	-	-	-
2000	29	-	-	-
2050	17	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel) +or-

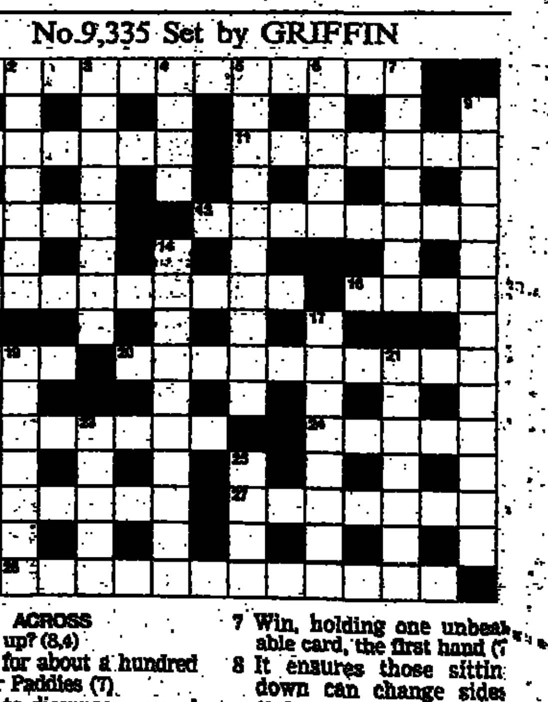
		+or-
Dubai	$18.36-8.54w	+0.15
Brent Blend (dated)	$18.80-8.82	+0.07
Brent Blend (May)	$19.70-9.72	+0.12
W.T.I.	$21.22-1.24w	+0.175
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$216-218	
Gas Oil	$173-175	
Heavy Fuel Oil	$81-83	
Naphtha	$190-191	+0.5
Jet fuel	$193-196	
Diesel	$182-184	
■ NATURAL GAS (Pence/therm)		
Bacton (Apr)	9.70-9.90	+0.125
Petroleum Argus. Tel. London (0171) 359 8792		
IPE (Apr)	10.00	+0.37
■ OTHER		
Gold (per troy oz)♣	$349.30	+0.20
Silver (per troy oz)♣	516.00c	+4.00
Platinum (per troy oz.)	$372.50	-2.25
Palladium (per troy oz.)	$143.50	+1.50
Copper	118.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.29r	
Tin (New York)	270.50	-1.0
Cattle (live weight)	94.19p	-5.46*
Sheep (live weight)	144.13p	-5.44*
Pigs (live weight)†	82.23p	-0.25*
Lon. day sugar (raw)	$269.50	-3.80
Lon. day sugar (wte)	$309.00	-0.90
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (May)♥	78.00p	-1.00
Rubber (Jun)♥	78.00p	-1.00
Rubber (KL RSS No1)	288.0x	-0.5
Coconut Oil (Phil)§	737.5y	+2.5
Palm Oil (Malay.)§	540.0z	
Copra (Phil)§	$490.0y	
Soyabeans (US)	229.0	+11.0
Cotton Outlook'A' Index	79.00	-0.85
Wooltops (64s Super)	421p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. w May y Apr/May ♥ z Apr London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 1,341 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,335 Set by GRIFFIN



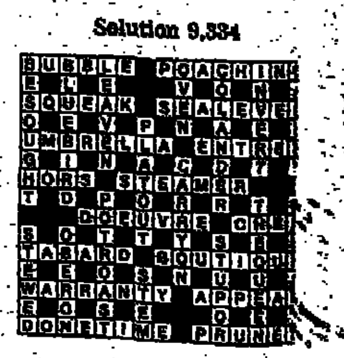
ACROSS

1 Butter up? (3,4)
10 Looks for about a hundred former Paddies (7)
11 Japan to disappear around last year? (7)
12 Broken nose starts throbbing after attack (5)
13 Push fellow journalist (8)
15 Annoyed after closure is threatened (10)
16 Footwear head office is in Skye not Kentucky (4)
18 Ring staff here (4)
20 Troubles recur but AA comes to civil servant (10)
22 Retiring yet admitting value of boldness (8)
24 Outlaw is back in dock (5)
26 Love helping with speech (7)
27 Silly fan's moved in with sweetheart (7)
28 Turned key on needing auxiliary motor (6,6)

DOWN

2 Was a model after work taken on? (7)
3 One goes to bed in time for something poisonous! (8)
4 Seal some part to boot (4)
5 At no time doubling payment terms (5-5)
6 Cruel people made monstrous female take old Bob off (5)
7 Win, holding one unbeatable card, the first hand (7
8 It ensures those sittin down can change side (6,7)
9 Trained people use it fr coast to coast (7,6)
14 Unwillingness to replac clean cruet (10)
17 Used to sit on blac heather, being clumsy (8)
19 During morning assembl ringleader reveals one's jo (7)
21 Two men meeting, on from Moscow? (7)
23 Rule some soldiers ha ignore (5)
25 Father's on the church ste (4)

Solution 9,334



هكذا من الاصل

FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

Baring International Fd Mgrs (Ireland) Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Australia	$32.96	34.87	-0.14	1.39
Japan Fund	$20.52	21.55	-0.08	0.00
Malay Sing.	$146.50	153.89	+0.08	0.00
Nth American	$44.54	46.88	-0.13	0.00
Octopus Fund	$42.43	44.56	+0.16	0.00
Pacific Fd.	$111.84	117.44	+0.06	0.00
International Bond	$20.01	21.02	-0.04	4.94
Europa Fund	$24.84	26.09	+0.33	0.00
Trister Warrant	$30.27	31.79	-0.13	0.00
Hong Kong	$152.10	159.71	-0.36	0.00
Global Emerging Mkts	$12.17	12.78	+0.07	0.00
Latin America	$16.00	16.80	+0.11	0.00
Currency Fd-US Dollar	$18.5311			5.01
Curr Fd-Managed $	$57.18	60.03	-0.01	4.37
Korea Feeder Fund	$5.26	5.53	+0.1	0.00
Europa Select Feeder	£1.103	1.159	+0.006	0.00

Murray Johnstone (Dublin) Ltd
Europa House, Harcourt St, Dublin 2 3531 407 2000
Murray Global Accumulation Fund Plc

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gross
Murray Financials Bond	2	105.38		+0.05	6.03
US Dollar Financials Bond	2	$1.6040		—	-

Odey Asset Management Ltd
80 Harcourt Street, Dublin 2 00 3531 790 2400

	Selling Price	Buying Price	+ or -	Yield Gross
Odey European Gth Inc.	DM182.30		—	-
Odey European Gth Acc.	DM182.87		—	-
Odey European Gth Inc.	£66.98		—	-
Odey European Gth Acc.	£67.23		—	-

Baring Mutual (Ireland) Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Umbrella Fund Inc	$12.64	13.33	—	0.00
Pacific Emerging 94 A	$70.74		—	0.00
Pacific Emerging 94 B	$68.74		—	0.00
Latin America	$8.87		-0.01	0.00
Taiwan Fund NAV	$13.34		—	0.00

Berkshire KITC Growth Fund Plc

	Selling Price	Buying Price	+ or -	Yield Gross
NAV	$6.04		+0.10	-

Berkshire Korea Fund Plc

	Selling Price	Buying Price	+ or -	Yield Gross
NAV	$1.50		-0.21	-

Blackstone Franks Managers Ireland Ltd

Old Mutual International Fd Mngrs Ltd (a)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

	Init Notes Charge	Selling Price	Buying Price	+ or -	Yield Gr's
Abtrust Fund Mngrs Luxembourg SA (u)					
4 Boulevard Royal L 2449 Luxembourg 00 352 227001					
Abtrust Atlas Fund					
Global Cap Portfolio		$3.942		+0.020	-
United States Portfolio		$5.9634		-0.002	-
Contl Europe Portfolio	0	DM7.634		+0.063	-
Japan Portfolio		$0.558		+0.002	-
Pacific Portfolio		$6.530		-0.027	-
Gold Portfolio		$6.144		-0.027	-
UK Growth of Income		£2.2576		+0.002	3.61
Dollar Portfolio		$1.9910			7.03
Sterling Portfolio		£1.0845		+0.001	6.39
Aetna Master Fund (u) (x)					
21 avenue de la Liberte, L-1931, Lux 00 352 2964 941					
Australasian NAV		A$17.14		+0.01	-
Austrian Net NAV		Sch88.52		-0.05	-
Belgo/Lux NAV		BFr892.66		-3.29	-
Dutch Net NAV		Dfl47.21		+0.67	-
French Net NAV		FFr148.35		+1.30	-
German Net NAV		DM21.35		+0.19	-
Hongkong Net NAV		HK$130.13		+0.50	-
Italian Net NAV		L12537		+163	-
Japanese Net NAV		Y1157		+10	-
Spanish Net NAV		Pta1503		+23	-
UK Net NAV		£11.09		+0.05	-
United States Gtr Res		$11.13			-
Prices quoted are "A" shares					
American Phoenix Investment Portfolios (u)					
13 rue Goethe, L-1637 Luxembourg 00 352 464646211					
European Multinational Ptfo		Ecu21.76		+0.25	-
European Multinational Ptfo		$24.89		+0.22	-
European Multinational Ptfo		£15.43		+0.10	-
European Multinational Ptfo		L42281		+405	-
European Multinational Ptfo		DM42.27		+0.5	-
Global Multinational Ptfo		Ecu19.91		+0.21	-
Global Multinational Ptfo		$22.87		+0.18	-
Global Multinational Ptfo		£14.12		+0.08	-
Global Multinational Ptfo		L38683		+380	-
Global Multinational Ptfo		DM38.68		+0.42	-
US Growth Companies		$15.11		+0.01	-
US Growth Companies		£09.33		-0.01	-
US Growth Companies		L25559		+57	-
US Growth Companies		DM25.58		+0.10	-
US Real Estate Securities		$15.34		+0.01	-

	Init Notes Charge	Selling Price	Buying Price	+ or -	Yield Gr's
Fleming Group - Contd.					
FFF European		DM47.25	45.75	+0.35	-
FFF European Smlr Cos F		DM28.37	27.58	+0.08	-
FFF Global Conv F		$11.36	10.00	+0.10	-
FFF India F		$9.92	10.38	+0.11	-
FFF Intl Bond F		$11.39	14.16	-0.03	-
FFF Intl Equity F		DM79.71	84.33	+0.34	-
FFF Japanese		$14.54	14.88	-0.01	-
FFF Japanese Smaller Cos F		$5.46	5.77	-0.03	-
FFF Latin American		$13.45	14.23	+0.05	-
FFF Pacific		$21.03	22.25	+0.22	-
FFF Sterling Bond		£1.066	1.127		-
FFF UK Enterprise		£5.54	5.80	+0.02	-
FFF US Discovery		$42.66	44.90	+0.05	-
Fleming Flagship Series II (Daily Dealing)					
DM Class F		DM12.433		+0.001	2.57
FFr Class F		FFr64.220		+0.005	2.84
ITL Class F		L22725		+4	6.66
£ Class F		£5.226			5.58
US$ Class F		$12.031		+0.001	5.17
Class Fund Sicav					
International Equity F	5.00	31.25	10.8730		-
Foreign & Colonial Emerging Markets Ltd (u)					
Exchange Hs, Primrose St, Lon, EC2A 2NY 0171-628 1234					
F&C Emerging Markets					
Argentinian Inv Co F		$24.61		+0.01	-
Brazilian Inv Co SICAV F		$50.73		+0.45	-
Latin Emerg Eq SICAV F		$10.78		+0.03	-
Latin Amer Inv Co SICAV F		$12.03		+0.07	-
Mexican Inv Co SICAV F		$25.07		+0.03	-
Foreign & Colonial Portfolios Fd Sicav(u)					
33 Boulevard Prince Henri L-1724 Lux 00 352 2366 211					
Am Smlr Cos Eq F		$27.53		-0.02	-
Japanese Smlr Cos Eq F		Y822.00		+10.00	-
European Smlr Cos Eq F		Ecu17.26		+0.02	-
Emerging Asian Eq F		$22.55		+0.22	-
Sterling Bond F		£10.01			-
Sterling Distribution F		£9.34		+0.09	-
Frontrunner I (u)					
672 rue de Neudorf, Luxembourg 00 352 43887350					
European Equities		Ecu155.17			-
Global Bonds		DM169.88			-
Global Bonds		DM148.97			-
Sterling Fund		£187.83			-

LUXEMBOURG (REGULATED)(**)

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OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INSURANCE - Cont.

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

HOTELS

هكتا اصول

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TEXTILES & APPAREL - Cont.

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

The Alternative Investment Market, designed primarily for small companies, is regulated by the London Stock Exchange but has less demanding rules than the SE Official List.

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£24½	-⅛	*£31¼	£20¼	1,973	3.1	ϕ
Barlow	♣	£8¼xd	-⅛	£9⅝	£5⅛	1,409	2.1	14.2
Gold Flds Prop R	†	138¼	-¼	171½	130	14.1	6.5	10.2
SA Brews		£18¼	-⅛	£24⅛	£13¼	5,667	1.8	ϕ
Standard Bank		£25½	-⅛	£31½	£21	3,027	1.5	22.2
Tiger Oats		1065	+17	1150	770	1,832	1.7	21.1
Tongaat-Hulett		756¼	-3¾	1125	675¼	716.5	2.4	ϕ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR "Headline Earnings" formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield, p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme

a Yield based on annualised dividend
b Figures based on prospectus or other offical estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other offical estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other offical estimates for 1997
K Yield based on prospectus or other offical estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other offical estimates for 1995-96.
N Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other offical estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

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LONDON STOCK EXCHANGE

Fed move brings sharp rise in UK stocks

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

The London market's rehabilitation process continued yesterday with share prices making rapid progress across the board as global markets demonstrated their acceptance of the move by the US Federal Reserve to lift interest rates by 25 basis points.

The Fed's shift to higher rates came as no surprise to global bond and stock markets which have been expecting an upside move for some weeks after being softened up since before the turn of the year by Mr Alan Greenspan, chairman of the Fed.

He warned markets on no less than three occasions of "irrational exuberance, overheating markets and pre-emptive strikes to head off inflationary pressures". Dealers in London welcomed the Fed's move, which they said was well timed, much needed and more importantly, as far as investors were concerned, had been well flagged for some time.

As one trader said: "The last thing we want is a big sell-off, which would destroy confidence." That was a reference to the severe setback that hit bonds and stocks in 1994 when the Fed last embarked on a series of monetary tightening moves.

The FTSE 100 reclaimed the 4,300 level, but only just finished above that point, finally settling a net 30.8 higher at 4,301.5. Over the past two sessions the 100 index has recouped 86.9 points, or 2 per cent, after sliding around 4 per cent in the previous six sessions. At its best during a buoyant morning trading session, the index looked like posting its second consecutive 50 point gain.

But a flurry of profit-taking, plus a slightly uneasy opening by US bond market, took the edge off global equity markets, London and Wall Street included, and saw UK share prices well off their best at the close. Wall Street, which closed down 29 points overnight, was down around 20 points shortly after trading commenced yesterday, but rallied sharply to post a 330 point gain 90 minutes after London closed.

The market's second-liners never looked like matching the performance of the leaders. The FTSE 250 ended only 15.9 firmer at 4,568.6. The SmallCap index, meanwhile, crept up 0.7to 2,312.4.

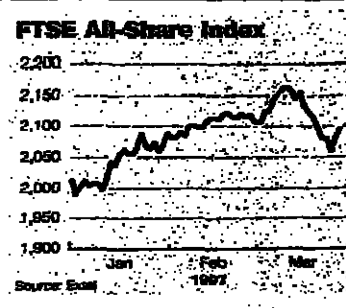
A successful outcome to the latest gilts auction, £2.5bn-worth of 10-year stock, helped the market build on its strong performance during the mid-to-late morning period. The auction was covered over three times, and prompted a gradual recovery in gilts, which looked decidedly unhappy in mid-morning, before the auction news was published.

Share prices kicked off the day on an easier note, with dealers concerned that Wall Street's closing weakness might see a burst of seling across European stock markets.

But with no real selling pressure and evidence of a couple of medium-sized buy-side trading programmes in the market, share prices quickly picked up, moving into the black within an hour of the opening and eventually peaking just before midday.

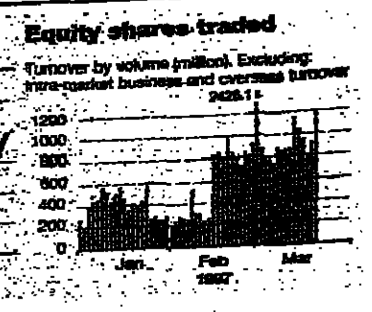
Turnover continued at relatively high levels, reaching 944.2m shares.

FTSE All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FTSE 100	4301.5	+30.8
FTSE 250	4568.6	+15.9
FTSE 350	2122.9	+13.5
FTSE All-Share	2094.89	+12.37
FTSE All-Share yield	3.64	3.66
FT 30	2846.1	+23.0
FTSE Non-Fins p/e	18.23	18.17
FTSE 100 Fut Jun	4315.0	+22.0
10 yr Gilt yield	7.63	7.59
Long gilt/equity yld ratio	2.11	2.06

Best performing sectors

1. Extractive Industries +2.0
2. Alcholic Beverages +1.9
3. Retailers:General +1.7
4. Electronic & Elect Equip +1.9
5. Insurance +1.2

Worst performing sectors

1. Life Assurance −0.9
2. Engineering:Vehicles −0.7
3. Household Goods −0.6
4. Distributors −0.6
5. Leisure & Hotels −0.3

Broker boost to Energy

By Joel Kibazo and Richard Lapper

A broker's recommendation helped Energy Group secure pole position among the day's best performers in the FTSE 100. Shares in the group, which was demerged from Hanson last month, rose 18 or 3.2 per cent to 489½p, in trade of 6.3m.

US investment bank Goldman Sachs was behind yesterday's sharp move. The bank upgraded its recommendation from "market outperformer" to "recommended".

In a note to clients, analyst Mr Philip Green said: "In our view the shares are significantly undervalued in fundamental terms, offering 27 per cent upside to fair value against the current share price of 471p (the price of the shares when the note was issued)."

Goldman said that its fair value share price target remains 597p, which takes account of the recently announced proposed acquisition of Citizens Lehman Power (CLP), the US power trading company. Hanson shares closed 1½ lighter at 288p, in trade of 9.9m.

Among the rest of the electricity stocks, National Power ended the session 2 ahead at 477p, and Northern Ireland Electricity was also in demand, closing 2½ up at 366½p.

Financials stocks opened stronger to build on Tuesday's gains and although there was some weakness later in the day, banks and composite insurers again figured among the day's best performers.

Institutional investors, many of whom are underweight in the banking sector, were said to be taking advantage of recent underperformance to build up their positions.

Lloyds TSB gained 14p to close at 496½p, compared with its all-time high of 531½p reached just over a month ago. National Westminster and Barclays also recovered ground rising 11½ to 697p and 14p to 1030½p respectively, while Royal Bank of Scotland added 12½p to close at 532p. By contrast HSBC UK-registered stock lost ground easing 15½p to 1501p.

Mr John Aitken, banking analyst with UBS, said HSBC had been adversely affected by the dollar's weakness against sterling and the rise in US bond yields. The bank draws a sizeable proportion of its revenue from dollar or dollar-linked markets and is one of the FTSE stocks most exposed to fluctuations in US currency and interest rates. Mr Aitken said Tuesday's US rate rise would add to operating pressures in Hong Kong where margins are already under pressure.

After Tuesday's gains, when investors welcomed the takeover by Prudential of Scottish Amicable, life assurers were weaker. Prudential itself eased by 8, losing more than half of Tuesday's gains, to close at 547½p. Legal & General lost 5p to close at 381½p. The composites did better, however. Commercial Union, Tuesday's strongest performer, lost ½ to close at 671. But General Accident, Royal and Sun Alliance and Guardian Royal Exchange made further progress. GA closed at 826, up 15½, and Royal and Sun added 10½ to close at 449½. GRE ended the day at 280½p, up 3p. BAT Industries made gains for the fourth successive day, adding 5½p to close at 533½p. The share fell to 489p on March 20.

Favourable figures from clothes retailer Next helped the shares jump 22½ to 618½p. The company reported a 25 per cent increase in full year profits to £156.1m for the year to the end of January. The figures topped a consensus forecast among London brokers of £154.4m before exceptional items.

The better than expected figures from Next boosted several other retail stocks. They included Marks and Spencer, whose shares advanced 17½ to 481½p. However, reports that SBC Warburg had downgraded its recommendation on Storehouse from a "buy" to "hold" and reduced its current year estimate, made the stock the day's worst performer in the FTSE 100. The shares surrendered 10 to 235½p.

Warburg was said to have cut its forecast by £4m to £118m to reflect weak sales of children's clothing in February. NatWest Securities was reported to have made a similar move earlier this month. The agreed bid for World of Leather from UNO, saw the former race up 30 to 121½p and the latter up 24 at 295p.

Recruitment consultants Whitehead Mann Group, brought to the market by Sutherlands, traded strongly on its first day of dealings. The shares, placed at 136p, ended their first session at 144½p.

Avis Europe was one of the busiest stocks of the day. Turnover was a hefty 65m as the shares closed at 131½p after their debut on a when issued basis.

The oil majors were well to the fore, recovering well and showing BP 6 higher at 704½p, on turnover of 4.4m and Shell 10 better at £10.76½, in response to strong US support.

British Borneo, one of the best performers in the market in recent months and which recently won a string of exploration licences in the Gulf of Mexico, jumped 29 to £14.47½.

Among other exploration stocks Enterprise Oil jumped 14½ to 653½p and Lasmo edged up a penny to 245p.

Caradon, the building materials group edged higher to close 1½ firmer at 255p after the group said it was returning £174m to shareholders. That news accompanied the group's preliminary figures which showed profits up 18 per cent.

Housebuilders produced a handful of strong performers led by Barratt Developments whose shares nudged ahead 3½ to 266p after excellent preliminary results, which showed profits up 30 per cent and the dividend up 11 per cent.

Other housebuilders dragged up by the numbers included Beazer, 3 firmer at 179p, Bellway, 8 to the good at 333½p and Berkeley Group which rallied 15 to 722½p. Bryant were 5 ahead at 137p.

Pharmaceuticals group Medeva fell 2½ to 310½p after NatWest Securities urged investors to "reduce" holdings.

The broker said: "Our forecasts show the Rochester acquisition will not fill the gap in Medeva's earnings growth created by a decline in methylphenidate.

"After an average 10 per cent earnings growth in 1997 and 1998, our forecast is that 2 per cent earnings growth in 1999 is the most likely outcome. The risks of downgrades to current sales forecasts beyond 1997 are significant."

FT 30 INDEX

	Mar 26	Mar 25	Mar 24	Mar 21	Mar 20	Yr ago	*High	*Low
FT 30	2846.1	2823.1	2788.9	2822.7	2833.4	2744.9	2931.4	2668.8
Ord. div. yield	3.90	3.93	4.05	4.00	3.99	3.95	4.22	3.76
P/E ratio net	17.01	16.90	17.15	17.36	17.43	16.28	18.09	15.60
P/E ratio nil	16.84	16.73	16.94	17.14	17.22	15.96	17.87	15.71

FT 30 since compilation: high 2931.4 10/03/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2816.8	2824.2	2836.5	2847.6	2855.2	2854.1	2851.3	2844.5	2843.3	2855.3	2816.8

	Mar 26	Mar 25	Mar 24	Mar 21	Mar 20	Yr ago
SEAQ bargains	63,912	65,045	60,364	59,984	62,270	42,771
Equity turnover (£m)†	–	NA	3032.5	3422.0	3460.3	2585.7
Equity bargains†	–	NA	58,289	55,236	58,399	50,407
Shares traded (ml)†	–	NA	913.1	1186.0	923.7	856.9

†Excluding intra-market and overseas turnover but including Crest turnover.

	Mar 26	Mar 25	Mar 24	Mar 21	Mar 20	Yr ago	*High	*Low
FTSE AIM	1110.6	1110.0	1110.2	1111.2	1109.1	994.5	1140.4	965.7

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■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	563	Total Highs	39	Total contracts	40,790
Total Falls	633	Total Lows	64	Calls	23,902
Same	1,229			Puts	16,888

Mar 26 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	4283.0	4315.0	+22.0	4338.0	4281.0	15791	59102
Sep	4334.0	4339.0	+22.0	4334.0	4334.0	260	2493

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	4560.0	4580.0	+20.0	4580.0	4580.0	35	4833

■ FTSE 100 INDEX OPTION (LIFFE) (*4300) £10 per full index point

	4150 C	4150 P	4200 C	4200 P	4250 C	4250 P	4300 C	4300 P	4350 C	4350 P	4400 C	4400 P	4450 C	4450 P	4500 C	4500 P
Apr	161½	13½	119½	21	81	34	48½	54	28½	82½	12	119½	4½	162½	1½	208
May	198½	44½	161	57	127	73½	98	93	70½	118	47½	146	31½	181	19½	218
Jun	228½	65	191	79	168	95½	130	115	103	140½	79½	167½	59½	197½	41	231½
Jul	243	67½	211	85½	177	102½	152	127½	127½	153½	184	181	87½	215	71	249
Dec†			314	150½			258	184			198	231			147½	282

Calls 8,180 Puts 3,024

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4125 C	4125 P	4175 C	4175 P	4225 C	4225 P	4275 C	4275 P	4325 C	4325 P	4375 C	4375 P	4425 C	4425 P	4475 C	4475 P
Apr	179½	11½	136	17	98	27	62½	43	36	65½	18	98½	8	137½	3	182½
May	217½	38	179	49	143	63	111	80	83	102	59	127½	40	158½	28	193½
Jun	245½	59½	209½	71	174½	85½	142	102½	113	123	89	147	69½	177	49	207
Sep	382½	94½			235½	124½			175	161½			128	210		
Dec†	384	119½			297	148½			236½	184			183	226½		

Calls 7,376 Puts 8,517 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996/97 High	1996/97 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§100	F.P.	25.0	100	99	Aurora Inv Trust	100		-	-	-	-
-	F.P.	-	142½	124	Avis Europe	131½		-	-	-	-
§50	F.P.	23.0	64	42½	†Birmingham City	46	+2½	-	-	-	-
§500	F.P.	131.9	620	605	Cambridge Antibody	605	-5	-	-	-	-
•	F.P.	2.93	17½	13¼	†Cambridge Mineral	13½	-½	-	-	-	-
§-	F.P.	14.1	65	55	†Charlton Athltc	64½		-	-	-	-
§250	F.P.	86.7	335	292½	Core Group	298		-	-	-	-
§-	F.P.	55.5	335	300	Diagonal	300	-7½	-	-	-	39.0
§200	F.P.	12.2	270	240	†Dobbies Garden	260		L4.5	2.2	2.2	18.4
§-	F.P.	10.8	71½	71½	Donatantonio	71½		L2.25	1.7	3.9	13.1
§160	F.P.	24.5	188½	178½	Grovend Csh Sys	188½		-	-	-	-
§175	F.P.	25.9	212½	198	Heal's	212½	+2	L3.9	3.1	2.3	15.5
§100	F.P.	20.2	130½	122½	Halphire Group	124	-2½	R0.8	5.1	0.8	15.2
§185	F.P.	109.9	247½	240	KBC Advanced Tc	240	-½	L8.29	2.5	1.7	28.5
§200	F.P.	65.4	278½	259	London Bridge Sw	278½	+16	-	-	-	33.7
§	F.P.	13.8	68½	68½	M & G High Inc	68½		W5.2	-	9.5	-
§	F.P.	1.82	10	9	M & G High Cap	9					
§	F.P.	20.7	102½	99½	M & G High Pckg	102½		W5.2	-	6.3	-
§	F.P.	16.2	80½	77½	M & G High Unit	80		W5.2	-	8.1	-
§17	F.P.	1.87	17½	17½	Pathfinder Props	17½		-	-	-	-
§-	F.P.	3.46	3	2¾	†Prestbury Leisur	2¾		L0.32	5.4	14.5	11.1
§	F.P.	62.5	292½	220	PSD Group	258½		5.43	2.4	2.6	20.1
§-	F.P.	20.0	122½	119½	†Q Group	120	+½	-	-	-	-
§100	F.P.	29.4	100	98	River&Merc 1st UK	98		-	-	-	-
§	F.P.	10.1	6	3¾	†Screen	5¼		-	-	-	21.8
§145	F.P.	24.7	154½	150½	†Total Office Grp	153½		L4.8	2.6	3.9	9.9
§110	F.P.	119.1	124½	119½	Usher Trowbridge	120½		W3.5	3.0	3.6	11.8
-	F.P.	22.4	147½	143½	Whitehead Mann	144½		§4.35	2.2	3.8	13.9

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Mar 25	% chg on day	Mar 24	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (32)	1689.05	−0.7	1700.79	2322.81	1.98	–	2465.53	1674.81
■ Regional Indices								
Africa (14)	1983.05	−0.1	1984.98	3195.54	4.54	31.23	3252.18	1918.46
Australasia (6)	1947.80	−0.7	1962.37	2618.99	2.76	21.15	2844.14	1941.72
North America (12)	1578.06	−0.9	1592.62	2029.02	0.85	80.38	2134.87	1550.58

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TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	375	508½	+1½
ASDA Group†	5,700	109¼	+¼
Abbey National†	3,700	728	-7½
Airtours	322	972½	+17½
Albert Fisher	3,000	45½	+¼
Allied Domecq†	5,300	460	+14½
Anglian Water	1,300	620½	-4
Argos†	688	661½	+14
Arjo Wiggins	1,300	198½	+6½
Assoc. Brit. Foods†	1,300	549½	-9½
Assoc. Brit. Ports	163	274	+1
BAA†	3,600	517½	+9½
BAT Inds.†	16,500	533½	+5½
BBA	905	365	+3
BICC	808	269	+9
BOC†	2,300	951½	-16
BG†	12,100	181	+½
BP†	4,300	704½	+6
BPB	253	334½	+3
BSkyB†	1,700	627	-10½
BT†	12,000	451½	+2
BTR†	5,100	255½	+4½
Bank of Scotland†	6,400	318	-2
Barclays†	4,100	1030½	+14
Bass†	5,100	809½	+1
Blue Circle†	840	411	+6½
Booker	278	330	-3½
Boots†	1,600	665	+5
Britannic	168	861½	
Brit. Aerospace†	4,000	1369	+24
British Airways†	2,100	643½	+5
British Biotech	933	249	-2½
British Energy	608	129	
British Land	1,000	541½	+1½
British Steel†	27,000	161½	+2¼
Burmah Castrol†	377	1007½	+6
Burton†	5,600	157¼	+2¼
Cable & Wire†	4,000	492½	+5
Cadbury Schweppes†	2,800	549	+8
Caradon	5,700	255	+1½
Carlton Comms.†	1,700	510½	+12½
Centrica†	13,900	82¼	
Chubb	808	437½	-1½
Coats Viyella	1,200	136	+1
Comm. Union†	3,700	671	-½
Compass	860	668½	+2
Cookson	732	236	+½
Courtaulds	3,800	363½	+½
Dalgety	425	349	+11½
De La Rue	653	590	-15
[illegible]	[illegible]	[illegible]	[illegible]

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Mar 26	Day's chge%	Mar 25	Mar 24	Mar 21	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4301.5	+0.7	4270.7	4214.8	4254.8	3672.4	3.75	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 250	4568.6	+0.4	4552.7	4536.9	4565.0	4305.7	3.51	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 250 ex IT	4607.8	+0.3	4591.9	4574.7	4602.3	4333.8	3.80	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 350	2122.9	+0.6	2109.4	2086.0	2104.4	1851.1	3.70	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 350 Higher Yield	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 350 Lower Yield	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE SmallCap	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE SmallCap ex IT	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE All-Share	2094.89	+0.6	[illegible]	[illegible]	[illegible]	[illegible]	3.64	[illegible]	[illegible]	[illegible]	[illegible]

■ FTSE Actuaries Industry Sectors

	Mar 26	Day's chge%	Mar 25	Mar 24	Mar 21	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	[illegible]										
12 Extractive Industries(6)	[illegible]										
15 Oil, Integrated(3)	[illegible]										
16 Oil Exploration & Prod(12)	[illegible]										
20 GEN INDUSTRIALS(271)	[illegible]										
21 Building & Construction(35)	[illegible]										
22 Building Matls & Merchs(31)	[illegible]										
23 Chemicals(26)	[illegible]										
24 Diversified Industrials(16)	[illegible]										
25 Electronic & Elect Equip(39)	[illegible]										
26 Engineering(70)	[illegible]										
27 Engineering, Vehicles(13)	[illegible]										
28 Paper, Pckg & Printing(27)	[illegible]										
29 Textiles & Apparel(14)	[illegible]										
30 CONSUMER GOODS(94)	[illegible]										
32 Alcoholic Beverages(7)	[illegible]										
33 Food Producers(25)	[illegible]										
34 Household Goods(17)	[illegible]										
36 Health Care(19)	[illegible]										
37 Pharmaceuticals(16)	[illegible]										
38 Tobacco(2)	[illegible]										
40 SERVICES(273)	[illegible]										
41 Distributors(31)	[illegible]										
42 Leisure & Hotels(31)	[illegible]										
43 Media(44)	[illegible]										
44 Retailers, Food(15)	[illegible]										
45 Retailers, General(53)	[illegible]										
47 Breweries, Pubs & Rest.(22)	[illegible]										
48 Support Services(58)	[illegible]										
49 Transport(22)	[illegible]										
60 UTILITIES(35)	[illegible]										
62 Electricity(16)	[illegible]										
64 Gas Distribution(2)	[illegible]										
66 Telecommunications(9)	[illegible]										
68 Water(12)	[illegible]										
69 NON-FINANCIALS(681)	[illegible]										
70 FINANCIALS(106)	[illegible]										
71 Banks, Retail(9)	[illegible]										
73 Insurance(18)	[illegible]										
74 Life Assurance(7)	[illegible]										
77 Other Financial(29)	[illegible]										
79 Property(44)	[illegible]										
80 INVESTMENT TRUSTS(127)	[illegible]										
89 FTSE All-Share(914)	2094.89	[illegible]									
FTSE Fledgling	[illegible]										
FTSE Fledgling ex IT	[illegible]										

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 350	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Time of FTSE 100 Day's high: [illegible] Day's low: [illegible]

■ FTSE 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Constrn	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pharmaceuticals	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Water	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Banks, Retail	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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FTSE INTERNATIONAL

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

PACIFIC

AFRICA

NORTH AMERICA

INDICES

US INDICES

Industrials	6876.17	6905.25	6804.79	7085.16 (11/3/97)	5032.94 (10/1/96)	7085.16 (11/3/97)	41.22 (8/7/32)
Home Bonds	102.57	102.52	102.55	106.09 (14/2/96)	100.99 (15/7/96)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	2415.64	2432.29	2424.88	2469.59 (18/3/97)	1882.71 (18/1/96)	2469.59 (18/3/97)	13.23 (8/7/32)
Utilities	224.08	222.96	221.21	248.85 (22/1/97)	204.86 (30/7/96)	256.48 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 6984.94(6983.58) Low 6832.74(6746.63) (Theoretical) Day's high 6952.46(6906.01) Low 6867.86(6783.64) (Actual)

Standard and Poors

Composite‡	789.07	790.89	784.10	816.29 (18/2/97)	598.48 (10/1/96)	816.29 (18/2/97)	4.40 (1/6/32)
Industrials	920.14	921.67	915.35	950.96 (18/2/97)	702.07 (15/1/96)	950.96 (18/2/97)	3.52 (30/6/32)
Financial	92.25	92.87	91.21	97.25 (10/3/97)	58.67 (10/1/96)	97.25 (10/3/97)	7.13 (4/9/74)
NYSE Comp.	415.41	416.00	412.80	427.70 (10/3/97)	321.41 (10/1/96)	427.70 (10/3/97)	4.64 (25/4/42)
Amex Comp.	586.16	587.94	591.22	617.81 (22/5/96)	524.20 (16/7/96)	617.81 (22/5/96)	524.20 (16/7/96)
NASDAQ Comp	1248.06	1242.64	1254.07	1388.06 (22/1/97)	988.57 (15/1/96)	1388.06 (22/1/97)	54.87 (3/10/74)

RATIOS

	Mar 21	Mar 14	Mar 7	Year ago
Dow Jones Ind. Div. Yield	1.89	1.95	1.93	2.13
	Mar 18	Mar 12	Mar 5	Year ago
S & P Ind. Div. yield	1.78	1.74	1.77	1.87
S & P Ind. P/E ratio	22.38	22.81	22.55	21.26

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Wal-Mart	7,237,700	29¼	-⅛
AT&T	4,291,700	38	+1
Eastman Kdk	3,979,600	77	+¼
Global Dir	3,956,000	19⅝	-8⅛
Iomega	3,757,600	16⅝	+2⅝
Micron Tech	3,126,900	38¾	-¾
IBM	2,966,200	136¼	-¼
Coca Cola	2,951,800	59½	-¼
ColumbiaHCA	2,932,400	38⅝	+⅛
Adv Micro	2,924,900	40⅝	+3⅛

TRADING ACTIVITY

Volume (million)

	Mar 25	Mar 24	Mar 21
New York SE	474.535	445.278	534.371
Amex	14.487	16.924	21.171
NASDAQ	557.944	611.775	582.199
NYSE			
Issues Traded	3,303	3,327	3,331
Rises	1,300	1,171	1,249
Falls	1,167	1,336	1,159
Unchanged	836	820	923
New Highs	68	44	44
New Lows	58	54	47

S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	794.80	796.80	+1.60	797.80	794.25	69,997	177,450
Sep		803.20				163	4,165

FT Free Annual Reports Service

TOKYO - MOST ACTIVE STOCKS: Wednesday, March 26, 1997

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel Cp	10.2m	345	+9	Kumagai Gumi	5.7m	198	+15
Tobishima Corp	9.2m	250	+41	Fujitsu	4.9m	1260	+10
Nippon Credit Bk	8.7m	293	-9	Mitsubishi Hvy	4.1m	841	+24
Nomura Secs	7.5m	1370	-70	Hitachi	3.9m	1060	-10
NKK Corp	5.9m	269	+2	Pacific Ind	3.7m	737	+34

4 pm close March 26

NEW YORK STOCK EXCHANGE PRICES

1996/97 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
32	24¼	AAR	0.48	1.6	24	469	29⅝	29¼	29⅝	+¼
46⅞	33	AMP	1.04	3.0	26	19411	35¼	34⅜	34⅝	-¾
97½	68	AMR			6	5013	86⅞	84⅝	85⅞	+1⅝
50½	33¼	ASA	1.20	3.5	22	1190	34⅝	33⅞	34⅜	+⅛
60½	38⅛	AbbtL	1.08	1.8	24	8573	59⅝	58¾	59¼	+¼
17½	12¼	Abitibi Pr x	0.40	2.5	8	1068	15¾	15⅝	15¾	
20¼	13½	ABM Ind	0.40	2.1	18	383	19½	19⅛	19⅜	-⅛
23	13⅞	Acptncein			9	169	19⅜	18⅞	19¼	+⅜
66¾	37¾	ACE Ltd x	0.72	1.1	10	629	64¼	63⅝	63¾	-⅞
10¾	9⅛	ACM Gvt In	0.90	8.7	11	184	10⅜	10¼	10⅜	+⅛
7⅞	6⅝	ACM GvOpp	0.63	8.4		76	7½	7⅜	7½	+⅛
9⅞	8⅞	ACM Man	0.90	9.2		222	9¾	9⅝	9¾	
13⅞	6⅛	Acme Elect				56	6½	6½	6½	
21⅝	13⅞	Acme Mtls			69	55	16½	16	16	-⅜
33¾	27¼	Acordia	0.80	2.4	15	107	33	32¾	33	+¼
29¾	12	Acuson				1905	24¾	23⅝	24⅜	-¼
21⅛	17⅞	Adams Expr	0.55	2.7	1	230	20½	20⅜	20½	
48½	10¼	AdvMic				25653	42⅞	40⅜	42⅛	+1⅛
15	8½	Advest Grp x			9	24	12¾	12⅝	12¾	-⅛
26⅛	9⅛	Advo Inc			27	121	12	11⅞	12	+⅛
73⅝	41⅛	Aegon	1.18	1.7	20	102	70⅛	69⅞	70⅛	+1
6¾	3½	Aerfix				183	3¾	3½	3¾	
67⅝	40⅜	AES Corp				20	58½	58½	58½	-⅛
[illegible]										

- A - (continued) - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R -

[illegible]

Continued on next page

NYSE PRICES

4 pm close March 26

NASDAQ NATIONAL MARKET

4 pm close March 26

- K -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
K Swiss x	0.08	106	3	12 5/8	11 3/4	11 3/4	-1
Kaman Cp x	0.44	12	354	13 5/8	13 1/4	13 5/8	
Kelly Sv	0.84	14	221	27 3/8	26 5/8	27 3/8	+5/8
Kimball x	1.04	15	437	39	37 1/2	38 5/8	+5/8
KLA Instr		18	15250	39 7/8	37 1/4	39 1/4	+1 5/8
Koll A			152	0.18	5/32	0.18	
Komag		14	5234	30 5/8	29	30 1/8	+5/8
Kulicke S			7001	22 7/8	20 3/8	22	+1 5/8

- L -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Labone	0.72	75	282	15 3/4	16 1/2	18 1/2	
Ladd Furn			96	15 1/8	14 7/8	15	-1/8
Lam Rsch		11	24461	36 1/4	33 3/4	35 3/4	+2 1/4
Lancaster x	0.72	16	178	46 1/2	45 3/4	46 1/4	
Lance	0.96	21	520	18 1/8	17 3/4	17 7/8	+1/4

- R -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Rainbow		13	194	17 3/8	17	17	+1/8
Rallys			8340	4 1/2	3 7/8	4 1/16	+5/8
Raymond x	0.25	14	1747	28 1/2	28 1/8	28.30	-.33
RCSB Fin	0.60	12	1390	39 1/8	32	32 1/8	-1/8
Read-Rite			16045	28 1/2	27 3/8	28 1/8	+5/8
Recoton		12	354	13 7/8	13 3/8	13 7/8	-1/8
RegFinCp x			2561	60 1/2	60	60	-1/4
Repligen			902	1 3/8	1 1/8	1 3/8	+1/16
Repub Ind			7785	34	33 1/8	33 5/8	-3/8
ResrchMed		23	z0	23 1/4	23 1/4	23 1/4	

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		30	26786	u51	47 5/8	50 7/8	+2 3/4
Xircom		28	3865	16 1/2	15 3/8	15 7/8	+11/16
Xoma Corp			4040	5 11/16	5	5 11/16	+11/16
Yellow			11159	a18 3/8	15 3/4	18 1/4	+1 1/8
York Rsch		16	742	8 1/8	7 5/8	8 1/16	+5/16
ZionsUtah	1.76	18	1191	27 1/2	126	126 5/8	-7/8

AMEX PRICES

4 pm close March 26

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members. EASDAQ Members are made up of Brokers and Banks from across Europe.

Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$8.125		6500	8.25	8	Esprit Telecom ADS	US$12.125	-0.125	100	12.5	12
Artwork Systems	US$10.75		6200	11.375	10.25	Innogenetics	US$12.25	-0.25	31930	12.625	10.5
Chemunex	FFr18	+0.5	1040400	19	17	Mercer Internl.	US$9.625		0	11.375	9
Dr Solomon's ADS	US$22		0	26	20.875	PixTech	US$4.625		1000	6.25	4.375

Prices for 26/3/97. Please note that trading prices are currently used to calculate highs and lows.

Information about EASDAQ can be found on the Web site at: HTTP://WWW.EASDAQ.be
EASDAQ offices are located in Brussels (Tel 32-2 / 227 65 20) and in London (Tel 44-171 / 489 9990).

FINANCIAL TIMES Thursday March 27 1997

High-tech rebound lures Dow ahead

AMERICAS

US shares were higher in midsession as technology shares staged a strong rebound from the weakness seen over the past few weeks, *writes Lisa Bransten in New York.*

At 1 pm the Dow Jones Industrial Average was up 27.19 at 6,903.36 and the Standard & Poor's 500 rose 4.44 at 793.51. Volume on the NYSE came to 271m shares.

Interest rate-sensitive banks were lower in the wake of Tuesday's move by the Federal Reserve to raise interest rates. Chase Manhattan Bank lost \$1¼ at \$100½, Citicorp shed \$1⅞ at \$113⅞, BankAmerica \$2¼ at \$109⅞ and NationsBank \$1⅛ at \$60½.

But shares in cyclical companies, more sensitive to any economic slowdown, bounced back from Tuesday's weakness. The Morgan Stanley index of cyclical shares added 0.4 per cent just matching the performance of the counterpart index of consumer shares.

There was weakness in some cyclicals, however. Du Pont lost \$1¾ at \$110⅝. General Motors dropped \$1⅛ at \$55⅞ and Minnesota Mining and Manufacturing (3M) lost \$1 at \$87⅝.

The technology-rich Nasdaq composite jumped 17.00 to 1,265.06 and the Pacific stock Exchange technology index climbed 2.1 per cent. The four largest companies on the Nasdaq reclaimed 4 to 7 per cent of their value as investors returned to the sector.

Intel climbed \$5⅝ to \$138⅞, Microsoft was \$3$\frac{11}{16}$ stronger at \$94. Cisco Systems added \$3¼ at \$51⅛ and Oracle was \$1¼ better at \$40¼.

The strength in technology shares helped the Dow; among its constituents, IBM added \$3⅛ at \$139¼ and Hewlett-Packard rose \$⅝ at \$56⅛.

Also helping the Dow was a rise of \$4 or 4 per cent to \$109⅞ by Exxon. The oil company said it planned to increase its share buyback program.

Shares in Transworld Airlines tumbled \$⅝ to \$7 after the carrier announced that its annual report would contain a statement from its outside auditors "regarding TWA's ability to continue as a going concern".

TORONTO traded in negative territory at midsession, unable to match Wall Street's upturn as golds sank on the weak bullion price.

The TSE-300 composite index was 11.97 weaker at 6,131.79.

Trading in Bre-X Minerals was halted pending news, along with its gold mining partner, Freeport-McMoran in New York.

Canadian Imperial Bank of Commerce eased 5 cents to C\$83.40 ahead of today's two for one stock split.

SAO PAULO was easier at midsession in very quiet pre-holiday trade with the Bovespa index down 76 to 9,305.

Telebras lost ground in tandem with the index, down 1 per cent at R\$112.90, and Petrobras, the state-run oil company, lost 1.8 per cent to R\$218.

Bullion pulls Jo'burg golds down

A gloomy bullion price and a bearish outlook for corporate results dragged Johannesburg's golds lower, but the decline was mitigated by renewed foreign demand at the lower levels.

Industrials also ran into some late bargain hunting after an early decline in response to Wall Street's weaker overnight close.

The overall index fell 29.9 to 7,059.6 as golds lost 24.1 to 1,301.9 and industrials finished 32.2 weaker at 8,308.0. Turnover of R813m was largely the result of local institutional activity.

The largest trade of the day by value involved Momentum Life Assurers, which lost 50 cents to R60 in turnover of almost R100m.

Carmakers, banks boost Frankfurt

EUROPE

Some bourses came off the top after mid-morning weakness in the Dow but **FRANKFURT** went from strength to strength, the Dax index closing 64.29 or 1.9 per cent higher at an Ibis-indicated 3,439.22 in turnover up from DM12.4bn to DM16bn.

Mr Michael Bock, head of BZW's Frankfurt office, said the bourse had got over its disappointment with the extent of restructuring measures at Hoechst, and the lack of a Krupp reverse takeover bid for Thyssen. The two steels were weak, but *not remarkably so.*

Germany, added Mr Bock, was also digesting good inflation news while other countries, notably the US and the UK, were sounding worried; he also argued that potential delays in European monetary union, given reinforced commitment to convergence criteria, were likely to raise expectations in financial markets.

Among individual stocks, BMW's drive for higher margins took the shares up another DM74 or 5.9 per cent to DM1,327 after Tuesday's 5.1 per cent gain. Still in carmakers, analysts said they were surprised at the extent of Daimler's recovery, with 1996 net income of DM2.8bn against a DM5.7bn loss; the shares rose DM5.80 or 4.5 per cent to DM135.80.

Banks, which had a flurry in January with a 16 per cent gain, extended a more recent surge to a four-day sector lift of over 8 per cent. Takeover hopes moved to Bayeryhypo, which rose DM3.26 or 5.9 per cent to DM58.26. In retailing, meanwhile, a Karstadt supervisory board statement that media speculation about the potential sacking of Mr Walter Duess, its chief executive, was unfounded left the shares down DM12.40 or 2.1 per cent at DM581.

ZURICH extended Tuesday's rally with a rise of 1.4 per cent, helped by the firmer dollar and short covering in stocks that had come under recent pressure. The SMI index finished 61.9 higher at 4,620.5

Nestlé was the day's star performer, jumping SFr64 or 4.1 per cent to SFr1,641 as the food group confounded forecasts with its announcement of a 16.6 per cent increase in 1996 group profits and a proposal to raise its dividend to SFr30 a share. One analyst noted that Nestlé was the only SMI constituent so far to report 1996 results that were clearly above expectations. The consensus among analysts had been for a 10.5 per cent rise in profits and a SFr28 a share dividend.

In the pharmaceuticals sector, Roche certificates advanced SFr135 to SFr12,305 after declines in the previous two sessions on disappointment with last Friday's results. Novartis, a beneficiary early in the week of switching from Roche, continued on an upward path with a rise of SFr20 to SFr1,780.

Adecco, the temporary *employment group,* overcame technical resistance and the shares rose SFr18 to SFr454; Surveillance rebounded SFr115 to SFr3,065 after a sharp recent fall.

MILAN demonstrated its relief that Mr Romano Prodi, the prime minister, had received support from his coalition partners and the far left for his 1997 mini-budget, due to be unveiled today. The Comit index rose 11.89 or 1.6 per cent at 747.76 and the real-time Mibtel index was 152 higher at 11,978, with the stronger lira and bond futures providing further support.

The telecommunications sector was again at the centre of attention as the Stet extraordinary shareholders' meeting approved a government golden share and set a price for Telecom Italia shareholders who wanted to cash in, rather than hold shares in the merged group. Stet rose L35 to L7,510; Telecom Italia picked up L24 to L4,289 and Tim was L156 higher at L4,937.

Gemina remained a volatile spot as shares in the financial holding company were suspended at the 10 per cent limit, up level after the group said late on Tuesday that it would pay a 1996 ordinary share dividend of L200 a share, and L750 on its savings shares. The limit was later widened to 15 per cent and the shares ended 12.6 per cent higher at L707.6.

PARIS had its own star turn in Schneider, the electrical equipment supplier, which produced net attributable profits 62 per cent higher at FFr1.32bn.

The results were better than expected, said Ms Anita Hibbert at Dillon Read. They were enhanced by the forecast of a significant further improvement in 1997, and further by the chairman's thought that the company might reduce its share capital, possible through a share *buyback,* to boost earnings per share.

Other winners included Renault, FFr6.20 or 4.4 per cent higher at FFr148 on breakeven hopes for the second *half of next year;* and Suez, up FFr11 or 3.9 per cent to FFr292 as corporate politics suggested again that it would be the bid target, and *Lyonnaise des Eaux* the bidder.

Canal Plus rose FFr36 to FFr1,166 on valuations of its European partners' pay TV assets in advance of next month's merger with Nethold; and Pinault Printemps put on FFr55 to FFr2,302 ahead of its 1996 results, which came out after hours.

AMSTERDAM gave Philips a run as the AEX index closed off the top, 6.56 higher at 734.40 after a high of 740.84.

Philips rose Fl 3.60 or 4.3 per cent to Fl 87. Traders initially gave the credit for that to a rise in US technology stocks overnight; but analysts said later that there was a lengthy interview in the March 31 issue of *Fortune Magazine* with Mr Cor Boonstra, the Philips chairman, which took in comments that the stock was standing at a discount to its break-up value.

Written and edited by William Cochrane and Michael Morgan

FTSE Actuaries Share Indices

Mar 26 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	2157.38	2163.69	2165.84	2167.45	2170.41	2173.22	2173.82	2174.69
FTSE Eurotrack 200	2181.51	2187.54	2189.44	2193.64	2195.75	2198.28	2198.18	2196.09

	Mar 25	Mar 24	Mar 21	Mar 20	Mar 19
FTSE Eurotrack 100	2140.51	2128.35	2130.07	2121.04	2141.03
FTSE Eurotrack 200	2164.28	2146.82	2150.57	2143.85	2172.34

Base value 1000 (26/10/90); High/day: 100 - 2175.31; 200 - 2201.41 Low/day: 100 - 2157.38 200 - 2180.85. † Partial.

Emerging markets: IFC weekly investable price indices

Market	No. of stocks	Dollar terms: March 21 1996	Dollar terms: % Change over week	Dollar terms: % Change on Dec '96	Local currency terms: March 21 1996	Local currency terms: % Change over week	Local currency terms: % Change on Dec '96
Latin America	(249)	624.28	−1.0	+16.0			
Argentina	(30)	1,051.79	+1.6	+10.6	645,034.44	+1.6	+10.6
Brazil	(68)	495.49	−2.9	+25.0	1,967.46	−2.3	+27.7
Chile	(45)	697.73	−2.6	+12.5	1,161.60	−2.1	+10.1
Colombia[1]	(14)	765.97	−0.9	+21.0	1,437.29	−1.1	+27.4
Mexico	(64)	588.37	+1.7	+11.1	2,009.27	+1.0	+11.8
Peru[2]	(19)	224.48	−1.0	+14.1	382.54	−0.6	+16.1
Venezuela[3]	(9)	711.02	−1.9	−2.3	7,803.05	−2.1	−2.1
Asia	(711)	258.65	−1.8	+2.3			
China[4]	(27)	71.65	−2.8	−2.8	75.03	−2.8	−2.8
South Korea[5]	(156)	67.59	−3.7	−12.5	78.63	−3.1	−8.4
Philippines	(42)	288.91	−1.2	−1.6	367.65	−1.2	−1.4
Taiwan, China[6]	(90)	174.56	−0.8	+13.9	180.47	−0.7	+14.1
India[7]	(79)	92.82	−0.8	+17.8	118.25	−0.8	+18.0
Indonesia[8]	(49)	124.35	−2.3	−2.6	162.45	−2.2	−0.8
Malaysia	(148)	344.85	−2.5	+2.4	315.54	−2.5	+0.5
Pakistan[9]	(28)	239.75	+0.1	+22.5	437.97	+0.1	+22.5
Sri Lanka[10]	(5)	100.03	−2.0	+5.2	128.16	−1.9	+7.2
Thailand	(87)	185.40	+2.2	−16.3	191.05	+2.2	−15.2
Euro/Mid East	(264)	157.34	+1.1	+17.2			
Czech Rep	(7)	67.77	−1.0	−3.4	65.95	−0.1	+3.8
Egypt	(16)	104.04	−6.5	–	103.86	−6.5	–
Greece	(54)	301.13	+0.8	+24.3	540.95	0.0	+33.6
Hungary[11]	(12)	222.74	+2.1	+13.2	472.10	+1.6	+23.4
Jordan	(7)	188.82	−0.5	+1.1	281.79	−0.6	+1.0
Morocco	(5)	120.38	+4.3	–	123.12	+3.7	–
Poland[12]	(30)	742.66	−4.3	+1.4	1,439.34	−4.5	+9.2
Portugal	(28)	157.23	−2.1	+7.6	182.94	−3.0	+17.3
Russia	(15)	113.70	−4.4	–	115.50	−4.3	–
Slovakia	(5)	114.84	+3.2	–	117.28	+2.9	–
South Africa[13]	(63)	235.92	−0.0	+13.1	216.69	−0.4	+7.1
Turkey[14]	(58)	227.30	+10.0	+52.8	13,504.55	+10.6	+77.2
Zimbabwe[15]	(5)	583.53	−0.0	+23.3	970.66	+0.8	+28.6
Composite	(1224)	324.17	−0.9	+9.9			

Indices are calculated at end-week; weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.

Pakistan's share prices rose 2.3 per cent yesterday on a resurgence of business confidence ahead of a new economic reform package due to be announced today, *writes Farhan Bokhari in Islamabad.* The KSE-100 index closed up 36.89 at 1,625.36.

"People are expecting a lot of good news from the economic reform package," said Mr Nasir Bukhari, head of Karachi's Khadim Ali Shah Bukhari brokerage.

Mr Yasin Lakhani, a former president of the Karachi Stock exchange, added: "There's a lot of money waiting to be placed in the market. If sentiment improves, there will be renewed buying."

Businessmen expect tariff cuts of up to 20 per cent on imports, which will reduce the top rate of duty from 65 per cent to 45 per cent. This, they say, will boost local industry as the cost of imported raw materials falls. Cuts in corporate and personal income taxes are also expected. At the same time, Pakistan's four provinces will be encouraged to increase tax collections from the previously untaxed agricultural sector.

The market's recovery follows last week's announcement that a standby loan agreement with the IMF had ended prematurely after Pakistan failed to meet its conditions.

However, Mr Nawaz Sharif, the prime minister, has moved fast to repair the damage by announcing his package, just six *days after the departure of the fund's mission* from Pakistan.

The government is expected to make a fresh plea to the IMF for a medium-term three-year structural adjustment loan of at least \$1bn. Officials say that today's reform package will lay the foundations for a strong appeal to the fund.

Seoul up 2.8% more on ceiling hopes

ASIA PACIFIC

A report that the South Korean government would soon announce the long-awaited expansion of the foreign stock ownership ceiling took **SEOUL**'s composite index up another 17.72 or 2.8 per cent to 656.72 after Tuesday's 3.5 per cent rebound.

Petrochemicals rose on expectations that falling naphtha prices and rising export demand would help improve earnings of petrochemical makers. Chipmakers also gained on news reports that memory chip prices were recovering from last year's slump.

TOKYO overcame the negative impact of the US interest rate increase and a widening scandal at Nomura Securities, advancing modestly after a strong performance by blue chip electricals, *writes Gwen Robinson.*

The Nikkei 225 average added 32.84 at 18,472.45 after moving between 18,189.12 and 18,528.25.

Its willingness to rise early in the day was undermined by investors who had bought shares to take dividends on Tuesday, *the last trading* day for the current business year to March 31, and who took profits in a range of sectors.

In the afternoon, however, aggressive buying by foreign securities houses lifted sentiment. Blue chip exporters, in particular, benefited from stronger earnings prospects following the dollar's rise above Y124.

Volume fell from 370m to an estimated 340m shares. The Topix index of all first-section stocks firmed 2.89 to 1,395.70 and the capital-weighted Nikkei 300 by 3.64 to 268.80, but declines exceeded advances by 649 to 440 with 137 unchanged. London's ISE/Nikkei 50 index rose 2.35 to 1449.21.

Dollar stocks included Sony, up Y240 at Y8,650, TDK, Y340 at Y8,540, and Canon, Y90 at Y2,630. Domestic-demand oriented sectors, particularly oil refiners and wholesalers which rely exclusively on imports, lost ground.

Showa Shell Sekiyu fell Y34 to Y891 and Japan Energy, which expected a net loss of Y16bn in the year to March 31, slid Y18 to Y294.

The widening scandal over Nomura Securities' illegal stock trades weighed down other securities houses, as well as some banks and other financial issues. Nomura fell another Y70 to *Y1,370 and Daiwa Securities* by Y13 to Y908.

In banks, Daiwa Bank declined Y16 to Y474 and Dai-ichi Kangyo Y10 to Y1,430, but Fuji Bank advanced Y20 to Y1,560 and Industrial Bank of Japan by Y10 to Y1,400.

Tobishima made the day's biggest gain, advancing Y41 to Y250 as some of its creditor banks agreed a rescue package for the troubled general contractor.

In Osaka, the OSE average edged up *8.96 to 19,322.81* in volume of 80.8m shares.

TAIPEI bounced after a succession of losses, following the foot and mouth *disease outbreak that had* forced a halt to billions of dollars worth of pork exports, fiscal liquidity concerns and worries over Chinese sabre-rattling.

The weighted index recovered 185.90 or 2.4 per cent to 8,029.33, turnover easing from T\$124.7bn to a still-active T\$116bn. Electronic shares led with a sector gain of over 4 per cent.

HONG KONG largely overlooked strong property prices and a record land auction result; *and analysts said* that a 25 basis points rise in domestic interest rates, in line with the US rate move, had already been factored *into the market.* The Hang Seng index lost 56.14 to 12,776.39. Sino Land, which paid a record HK\$11.8bn for a site at a government land auction on Tuesday, slipped 30 cents to HK\$8.15 on worries that the company might need a cash call to develop the site.

SHANGHAI's hard currency B share index continued its bull run, ending at a 1997 high after General Motors and the state-owned Shanghai Automotive Industry company agreed a \$1.6bn joint venture to produce cars in Shanghai's Pudong New Area. The B index rose 1.318 or 1.8 per cent to 72.941.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of lines of stock)	TUESDAY MARCH 25 1997: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY MARCH 24 1997: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (76)	218.54	−0.5	200.13	171.15	192.09	185.76	0.1	4.09	219.71	202.08	170.57	192.83	185.60	225.77	188.44	199.20
Austria (24)	184.87	0.0	169.31	144.79	162.50	162.44	0.1	1.79	184.91	170.05	143.55	162.29	162.24	195.04	174.70	184.86
Belgium (26)	231.46	1.0	211.97	181.27	203.45	199.21	1.1	3.51	229.24	210.82	177.96	201.19	196.97	241.54	204.38	208.08
Brazil (28)	238.74	0.8	218.64	186.97	209.85	466.30	0.7	1.11	236.89	217.86	183.91	207.91	462.86	247.23	149.69	156.52
Canada (114)	195.86	−0.2	179.37	153.39	172.16	195.44	−0.1	1.99	196.20	180.43	152.31	172.20	195.59	203.31	154.12	156.93
Denmark (32)	360.79	0.2	330.41	282.55	317.12	318.21	0.3	1.52	360.02	331.09	279.49	315.98	315.10	376.88	291.78	291.76
Finland (28)	255.01	0.8	233.54	199.71	224.15	269.89	0.9	1.69	252.87	232.55	196.31	221.94	267.55	268.58	174.47	185.27
France (91)	220.59	1.5	202.01	172.75	193.89	197.25	1.6	2.69	217.40	199.93	168.78	190.81	194.23	225.82	186.94	190.31
Germany (59)	200.37	0.6	183.50	156.92	176.12	176.12	0.8	1.53	199.15	183.15	154.61	174.79	174.79	205.33	164.47	174.34
Hong Kong (59)	466.89	0.3	427.57	365.65	410.38	464.47	0.3	3.34	465.37	427.97	361.28	408.44	462.94	514.49	407.55	437.69
Indonesia (27)	231.35	1.4	211.87	181.18	203.35	340.27	1.1	1.57	228.13	209.80	177.10	200.22	336.44	–	–	–
Ireland (16)	326.18	1.4	298.71	255.45	286.70	292.03	1.4	3.26	321.64	295.79	249.70	282.29	288.06	343.35	258.26	258.26
Italy (59)	84.77	1.6	77.63	66.39	74.51	107.15	1.7	2.08	83.46	76.75	64.79	73.25	105.36	96.32	70.61	72.48
Japan (480)	114.97	0.5	105.29	90.04	101.05	90.04	1.3	0.87	114.45	105.26	88.85	100.45	88.85	164.68	109.18	152.17
Malaysia (107)	621.35	0.5	569.03	486.61	546.15	592.99	0.6	1.07	618.50	568.80	480.16	542.84	590.34	660.85	512.47	556.54
Mexico (27)	1371.39	0.5	1255.91	1074.01	1205.41	11837.08	0.5	1.11	1365.08	1255.39	1059.75	1198.09	11784.08	1445.68	1110.35	1186.01
Netherland (19)	342.14	1.6	313.33	267.95	300.73	296.84	1.7	2.60	336.93	309.86	261.57	295.72	291.89	357.18	279.88	285.08
New Zealand (14)	84.20	−0.5	77.11	65.94	74.01	64.27	−0.4	4.43	84.59	77.80	65.67	74.25	64.53	95.60	75.94	84.71
Norway (41)	308.99	1.6	282.97	241.98	271.59	279.81	1.0	2.19	303.98	279.55	235.99	266.79	277.14	321.23	236.19	238.96
Philippines (22)	194.81	−0.6	178.40	152.56	171.23	255.88	−0.6	0.68	196.04	180.28	152.19	172.05	257.37	–	–	–
Singapore (43)	394.47	1.2	361.25	308.93	346.73	262.13	1.5	1.05	389.60	358.29	302.46	341.94	258.36	449.15	371.28	443.99
South Africa (44)	361.32	0.3	330.89	282.97	317.59	348.67	0.0	2.40	360.21	331.27	279.64	316.15	348.66	389.25	301.49	389.25
Spain (35)	213.11	1.4	195.16	166.90	187.32	231.88	1.7	2.74	210.11	193.22	163.11	184.40	228.07	228.16	170.49	171.70
Sweden (49)	430.93	1.5	394.64	337.49	378.78	488.71	1.9	2.13	424.39	390.29	329.47	372.47	479.69	448.64	334.04	352.28
Switzerland (36)	252.39	0.7	231.14	197.66	221.85	229.36	1.2	1.37	250.78	230.61	194.68	220.09	226.62	257.68	229.36	252.34
Thailand (44)	80.65	0.1	73.86	63.16	70.89	81.34	0.2	3.95	80.54	74.07	62.53	70.69	81.17	187.79	73.98	180.76
United Kingdom (212)	276.52	1.6	253.24	216.56	243.06	253.24	1.2	3.88	272.12	250.25	211.25	238.83	250.25	285.30	226.05	227.83
USA (654)	320.38	−0.2	293.40	250.91	281.61	320.38	−0.2	1.88	320.92	295.13	249.14	281.66	320.92	331.54	254.79	265.13
Americas (823)	293.42	−0.1	268.71	229.79	257.90	247.02	−0.1	1.87	293.86	270.25	228.13	257.91	247.39	303.45	233.09	241.96
Europe (727)	242.23	1.3	221.83	189.71	212.91	223.92	1.3	2.76	239.14	219.92	185.65	209.89	221.11	248.97	204.71	206.71
Nordic (150)	372.57	1.2	341.19	291.78	327.47	361.74	1.4	1.98	367.97	338.40	285.66	322.95	356.75	385.85	286.64	297.47
Pacific Basin (872)	135.03	0.4	123.66	105.75	118.69	104.44	1.1	1.39	134.52	123.71	104.43	118.07	103.33	177.01	131.50	165.82
Euro–Pacific (1599)	179.70	0.9	164.56	140.73	157.95	149.54	1.2	2.16	178.11	163.79	138.27	156.32	147.79	191.51	176.79	182.75
North America (766)	312.83	−0.2	286.49	244.99	274.97	312.15	−0.2	1.89	313.36	288.18	243.27	275.02	312.86	323.69	248.65	258.44
Europe Ex. UK (515)	218.24	1.1	199.86	170.91	191.82	203.10	1.3	2.12	215.84	198.50	167.56	189.44	200.46	223.97	185.65	189.96
Pacific Ex. Japan (392)	303.00	0.2	277.48	237.29	266.33	262.65	0.4	2.83	302.44	278.14	234.79	265.44	261.71	320.65	268.97	291.51
World Ex. US (1812)	183.51	0.8	168.06	143.72	161.30	155.72	1.1	2.14	182.00	167.38	141.30	159.74	154.04	193.47	179.10	184.11
World Ex. UK (2254)	222.40	0.2	203.67	174.17	195.48	197.90	0.4	1.81	221.91	204.08	172.28	194.76	197.07	228.59	199.58	207.18
World Ex. Japan (1986)	284.30	0.3	260.36	222.65	249.89	274.34	0.3	2.23	283.34	260.57	219.96	248.68	273.41	292.72	233.10	240.49
The World Index (2466)	227.04	0.4	207.92	177.81	199.56	202.99	0.5	2.02	226.23	208.05	175.63	198.56	201.99	233.38	202.32	209.05

Latest prices were unavailable for this edition.